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ONTARIO

**A SOCIETY
IN TRANSITION**

ONTARIO ECONOMIC COUNCIL




ONTARIO

**A SOCIETY
IN TRANSITION**



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FOREWORD

In October, 1970, the Ontario Economic Council began work on a major project — the identification of Ontario's economic and social goals for the seventies.

The decision to undertake this task was based on two considerations. Firstly, the Council felt that the next decade was crucial to the future of Ontario. Decisions taken in the public sector would shape the pattern of development for years to come. Given the possibility for significant and far-reaching change, it was imperative that the people and the government of the province should have a sharper perception of the range of possibilities open to them. It was, therefore, necessary to take a searching look at the future, and at the goals and priorities that could serve as targets for public policy in the decade ahead.

Secondly, the Council agreed that though such an undertaking was beyond the competence of any single group or agency, the Ontario Economic Council was in a unique position to act as a catalyst in generating debate on future goals. It recognized that the development of any consensus on social and economic goals could only emerge from analysis, discussion and debate in both the public and private sectors. As an advisory body to government, representing the broad interests of the Ontario community, it believed that it could play a positive role in stimulating a dialogue between government and the people on the future goals for Ontario.

Starting from the assumption that the past was a prologue to the future, the Council has concentrated its initial efforts on developing a better understanding of the past — the twenty year period from 1950 to 1970. Two studies were launched dealing with the social and economic development of the province during this time span. Subsequently specific policy studies dealing with such matters as economic policy, social policy, industrial

development policy, municipal planning policy, resource and regional development policy, were commissioned.

This study is the first in a series dealing with the changes that took place in Ontario from 1950 to 1970. In it social, economic and political variables are dealt with and related to the broader national and world environments.

Because the report goes beyond the presentation of historical facts to an analysis of change and the elucidation of major trends, it is not a descriptive study. It is rather an amalgam of fact, opinion, argument, judgment and interpretation. It represents the attempt to understand the process of change, and to isolate trends that will have a bearing on future development.

The study was prepared by D.R. Richmond, Senior Economist on the staff of the Ontario Economic Council. It is published by the Council in the hope that it will provide the reader with a better understanding of the forces that have changed the province.

The study provides a benchmark against which we can assess the policies of the past and the potentials of the future. It contains no recommendations but offers an insight into the process of change.

James Gillies
Chairman.

Toronto, Ontario
March, 1972.

INTRODUCTION

This study identifies trends. We are concerned here with isolating the main threads of change at work in our political, social and economic institutions. We are not attempting to measure change nor forecast the future.

We have chosen, rather arbitrarily, to limit the study to the two decades starting in 1951. There are several reasons for this decision. First, the years prior to 1951 were marked by two cataclysmic events — world-wide depression and major war. Both had enormous impact on our development.

Second, despite the Cold War, Korea, the Berlin Wall, the Congo, the Cuban Missile Crisis, Biafra and the Middle East, international political events had little direct impact on Canadian life. In a perverse sense, the fifties and sixties can be termed a period of peace and prosperity.

Third, following the GATT agreements, the creation of the International Monetary Fund and the World Bank, international financial and trading relations were relatively stable compared to the chaotic conditions of the thirties.

Each historical epoch is marked by moods or attitudes that pervade a society. The late forties and early fifties were no exception. Ontario emerged from World War II with a diversified industrial economy, a provincial administration geared to economic growth, and people with money to spend. Incomes were rising, consumer spending was rising, stock prices were rising, new buildings were going up — and so were prices.

Ontario, 1951, was a dynamic society, proud of its economic accomplishments and confident of its future growth.

* * * * *

For more than twenty years the central societal goal in Canada has been the achieve-

ment of a high rate of economic growth. This has served as the ideological foundation of the policies of government at both the national and provincial levels. Although other objectives have been recognized, they have been subordinate to the overriding importance given to the need for the expansion of incomes and full employment.

Preoccupation with economic growth as the central societal goal has led to dislocations in our society. The list of actual or alleged problems seems almost endless: alienation, inadequate housing, poverty, crime, drugs, pollution, urban decay, traffic jams, high taxes, bureaucratic indifference.

Discounting for the moment specific economic problems of inflation and unemployment, it should be remembered that these troubles appeared on the scene and became public issues during a period of unprecedented economic growth.

To discuss social problems at a time of high unemployment may, at first glance, seem particularly inopportune. Obviously, the first priority must be the generation of sufficient employment opportunities to ensure full employment. This requires, in turn, the stimulation of the economy.

This argument is taken further. Economic growth is deemed essential to produce sufficient wealth to solve social problems. It is held that social problems can only be solved in a growth economy. Though it may be accepted that growth may create social problems, it remains a basic tenet of belief that only through growth can we solve social problems.

The evidence of the last twenty years has not supported the presumed logical relationship between economic growth and social progress. For some time we have accepted the idea that economic growth is "good". We

have identified growth with progress. It follows, therefore, that a period of growth, in economic terms, must also be a period of social progress. And, further, since we have few measures of social progress, the economic measurement — Gross National Product — has come to be accepted as the measure of the overall well-being of our whole society.

Those measures of social change that we do have, limited as they may be, have not been moving in the directions that we assumed they would. Many social indicators, particularly those relating to crime, drug use, illegitimacy, broken marriages, mental health, are showing disturbing trends.

We come up against the word "progress". What is progress and how can it be measured? If economic criteria are insufficient, what other criteria are available? These are questions now being asked.

But why? What has occurred that has brought into question the fundamental assumptions that motivated our society over the past quarter century? Why has economic growth been challenged as the central societal goal? And what does this mean for the future?

The Humanist Attack

Though economic growth has been widely accepted as a societal objective, there have been competing ideologies. Social critics, drawing upon the humanist tradition, have been highly critical of the materialistic and narrowly pragmatic thrust of industrial society.

The humanist critique has had limited impact for a variety of reasons. Not the least is the lack of any consistent philosophical basis for humanism. To some, humanism is rooted in the writings of Marx — what has come to be known as socialist humanism. To others, humanism is tied to the religious base of western civilization. To others, humanism stems from a concern with man's relationship to his natural environment. Whatever the root, humanism has been a constant and continuing source of inspiration for social critics.

Erick Fromm states that:

"Humanism has always emerged as a reaction to the threat to mankind: in the Renaissance, to the threat of religious

fanaticism; in the Enlightenment to extreme nationalism and the enslavement of man by the machine and economic interests. The revival of humanism today is a new reaction to this latter threat in a more intensified form — the fear that man may become the slave of things, the prisoner of circumstances he himself has created . . .".

The lack of a consistent philosophical base has been a factor in the relative inability of humanism to have a more profound impact in the market place of ideas. Ranged against the humanist was the materialist concept of economic growth.

Economic growth had another ideological base — the puritan ethic of the value of work. The expansion of production was held essential in order to create jobs. And jobs were needed because it was held that everyone who could work should. The rewards of work were the acquisition of material goods and services — a rising standard of living.

Given unprecedented human suffering associated with major depressions in industrial societies, it is not surprising that the logic of economic growth has reigned supreme in the post-war era. The critics of what Sir Kenneth Clark termed "heroic materialism" have been unable to offer a responsible alternative.

Even granting the excesses of the logic of growth as a rationale for society, nothing else has been suggested. There are no alternative models. There are different social and economic structures available, democratic socialism or Russian Communism, but these are simply variants of industrial society.

In attacking the industrial system, the humanist has centred his argument on the assumption that progress could be measured in terms of the growth of the Gross National Product. He has argued that progress should be measured by a different yardstick. The problem is, of course, that the critic of industrial society does not have a method of measuring those factors (such as human happiness) that he feels are essential to the achievement of the good life.

Against the prevailing logic of growth, the humanist's critique was doomed to failure. He

was effective insofar as he pointed out the absurdity of the pursuit of growth to its logical conclusion — a view of a world in which there is no room for people. But this extrapolation of growth trends into the future could be ignored in the short-run.

The surprising fact is that the humanist, so long relegated to the intellectual fringe of industrial society, is now beginning to have a far broader hearing. The growing criticism of industrial society has resulted in a rethinking of accepted values and goals, not only among intellectuals, but among businessmen and ordinary people alike.

Why?

An important factor in this change is the emergence of economic critics of industrial society. John Kenneth Galbraith's two works — "The Affluent Society" and "The New Industrial State" — have had an unprecedented impact.

Galbraith's thesis is that our industrial society is geared to the goal of economic growth. Big government, big business and big labour are all pursuing this objective. He argues that the industrial corporation — a highly sophisticated mechanism that plans, organizes and allocates resources — is the central instrument in the pursuit of economic growth.

The corporation, abetted by government and unions, is the institution that allocates the use of resources. This results in the over-emphasis of the private sector to the detriment of the public sector. Scarce capital and skilled manpower are used to produce cars rather than schools, beer rather than hospitals, and tanks rather than public housing. Hence the incongruity of conspicuous private affluence amid grinding poverty.

Galbraith's attack is on the central value system of society, on the priorities that flow from those values, and on the institutions that have developed to achieve the societal objective of economic growth.

Other forces were at work. Urban and racial strife, poverty, rural decay all became public issues. French-Canadian nationalism and the foreign ownership question added impetus to a fundamental questioning of

Canadian values and goals.

Finally, the deterioration of the environment brought into sharp focus the cost of industrialization. For the first time the debate came down to a level that the average person understood — fresh air and clean water.

Until now the basic assumptions of the industrial system have been unchallenged. Poverty, foreign ownership, and urban problems were considered as flaws that could be corrected by the introduction of appropriate government policies. Today, however, there is a growing recognition that all these problems are interconnected, that the industrial system itself, and the values that permeate that system, are causally related to societal problems.

This change in attitudes, it should be remembered, does not necessarily mean that the majority, nor even a significant minority, have rejected the industrial system. All that has happened is that values have been stripped of their sanctity and are now open to question. It is now possible to ask the question "growth for what purpose?"

As long as we accepted growth for growth's sake we were locked into a system that pushed us further and further down the road of technological sophistication. The pessimistic vision of Jacques Ellul is the product of this blind push into a technological future.

Ellul's prophetic view of the future, written in the mid-fifties, holds out little hope for change.

"We have completed our examination of the monolithic technical world that is coming to be. It is vanity to pretend it can be checked or guided. Indeed, the human race is beginning confusedly to understand at last that it is living in a new and unfamiliar universe. The new order was meant to be a buffer between man and nature. Unfortunately, it has evolved autonomously in such a way that man has lost all contact with his natural framework and has to do only with the organized technical intermediary which sustain relations both with the world of life and with the world of brute matter. Enclosed within his artificial creation,

man finds that there is no exit . . .”.

Ellul's pessimism is not shared by many “futurists”: the supporters of the technetronic society, the biological revolution, and the manipulation of man himself through the marriage of eugenics and behavioural psychology. These supporters of the new order prophesy a utopia free of hunger, disease, strife and even, some day, death.

Possibilities and Limitations

Another interpretation of the current state of flux is provided by those social scientists who argue that change requires an entirely new view of society — a temporary society. Their argument is based on the need to achieve a more complete pluralism, one that provides for a wide variety and constantly changing set of living styles.

In this situation there is no one pattern for family life and no one set of values that permeate the whole society.

Warren G. Bennis argues that bureaucratic or hierarchical forms of social, political and economic organization are viable only in a stable society. He writes:

“Bureaucracy with its nicely defined chain of command, its rules and its rigidities is ill-adapted to the rapid change the environment now demands.”

The counter argument is provided by the behaviouralists (B.F. Skinner is the outstanding example) who see the potential for social engineering. Rather than the chaos of the pluralism of an open society, they argue for a closed and planned society in which humans are manipulated.

Inherent in the arguments between these two schools of thought is the debate between those who stress the collectivity and those who stress individualism.

The relationship between man as an individual and man as a social animal has been the central problem of human society. The resolution of this dichotomy forms the basis for the social, economic and political life of society. But because conditions change, the balance arrived at by one generation does not necessarily hold for the next.

Our conception of the basic goals and values of our society are fundamental to the

effective functioning of our institutions. If there is a consensus on fundamentals, the governing of society is a manageable problem. In contemporary society, the process of change has accelerated. Time is now an enemy. Once we had decades or generations to adapt to new circumstances, to adjust our ways of thinking and acting. Today, we are called upon constantly to rethink our attitudes, our standards, our basic beliefs.

Some specific examples illustrate the problem.

The family has been traditionally the basic social institution in society. If the role of the woman changes, how do we organize effective means for handling the process of child rearing? Do we provide for the care of children through private arrangements, public day care centres, other collective arrangements, or some entirely new method? What effect will this have on the social and psychological make-up of children?

Almost every area that one looks at today presents the same kinds of questions. It is not a matter of filling in gaps in existing governmental services. There is a new dimension involved.

Since the emergence of industrialism there has been a general agreement that income should be allocated through a free market mechanism. The welfare state emerged as a method of ensuring that those who did not obtain a satisfactory income through participation in the industrial system would be looked after. But government intrusion into the market system has created a hybrid — neither a free market nor a planned economy. How far should we go in this intervention? What role should government play in controlling or planning the economy? The problem is that government, in reacting to specific demands, gradually changes the fundamental rules of the game.

Where does it end? What should be the function of government? What areas of social life should be free of government restriction and control? Will government be restricted to specific purposes or will it become an all pervasive institution that controls every aspect of our lives?

These are not easy questions to answer. One of our most difficult problems is that the guideposts — fundamental values and goals — are no longer accepted by a large and growing segment of our population.

This is not new. Human history has been marked by the continuing response of human society to changing circumstances. Whenever there has been a conscious attempt made to maintain the status quo, at all costs, revolution has inevitably been the result. In other societies, the process of change has been handled through evolution. But change has taken place, one way or another.

The impact of telescoped change presents us with the age old problem in a new perspective. The rapidity of change forces us to adopt new ways of handling change. For the first

time, we must build into our institutions the mechanisms for evolutionary change.

But how, and in what direction should we go? All of us accept the necessity to plan for the future, but what is the shape of that future? Who in our society is qualified to formulate societal goals? What institutions now exist in which we can even begin to answer these fundamental questions?

The answers given to these questions are influenced by our understanding of the forces at work within our society. Our problem as members of society, is that it is impossible for us to be objective. The best we can do is to attempt to understand the meaning of events and interpret these events in terms of their implications.

And that is the purpose of this report.

PART ONE

**TWO DECADES
IN RETROSPECT**

The World Around Us

Though the darkening clouds of the Cold War cast a shadow on prospects for world peace in the early 1950's, Canada's economic prospects were bright.

European nations, financed by the Marshall Plan, provided a market for Canadian exports. The return of the United States to a partial war economy was another positive factor. The fear of a shortage of industrial raw materials stimulated a resource boom in Canada and Ontario, and the United States government's decision to stock-pile "strategic" materials inflated demand.

The discovery of oil and natural gas in western Canada was of key importance. The inter-provincial oil pipeline, bringing western crude east, sparked the development of the petrochemical industry in the Sarnia area, building on the base established during the war. The arrival of natural gas, later in the decade, gave Ontario a new and increasingly important energy source.

The finding and development of uranium deposits — "the fuel of the future" — helped to diversify the resource industry of Ontario, and stimulated the exploration for resources in all parts of the province.

Industrial expansion was not limited to mining and processing. The pent-up demand for durable goods stimulated industrial growth. After the enforced postponement of consumption expenditures during the war, the burgeoning demand for the products of industrial society strained the capacity of Canadian industry. Instead of the recession feared by Ottawa, the country was in the midst of a full-scale economic boom.

Inflation did not pose a serious threat because of the favourable balance of payments position Canada enjoyed. In the immediate post-war period, and in the early 1950's, Canadian trade flourished. The export of food and industrial raw materials generated

sufficient foreign exchange to purchase consumer goods and machinery and equipment from the United States.

In 1952, over 54 per cent of Canada's exports went to the United States and 24 per cent went to Sterling Area countries. Canada's exports were primarily agricultural products, raw materials and semi-finished products. Fully manufactured goods accounted for a small proportion of the total value of exports. The United States provided about 68 per cent of all imports, primarily manufactured goods.

Though Canadian secondary industry benefited from export markets in Europe, the expansion of our secondary industries was geared to the domestic market.

The scale of the economic expansion in Canada quickly outran domestic savings. In the immediate post-war years Canada had been a net exporter of capital. By 1953 the reverse was true. Foreign capital began to flow into Canada and, to relieve the pressure on the Canadian dollar, the federal government adopted a fluctuating exchange rate. This policy was maintained until the Diefenbaker government devalued the dollar in 1962.

A set of fortuitous circumstances surrounded the transformation of the Canadian economy in the late forties and early fifties. Canada and the United States were the only industrial nations to come through the war without severe dislocations in productive capacity. There were shortages, but the industrial plant was intact.

The international economic climate was favourable. The establishment of the International Monetary Fund and the General Agreement on Tariffs and Trade provided the institutional framework for the expansion of international trade. The move to free trade created the foundation for the recovery of the economies of western European nations and Japan.

Politically, the rising tensions between Russia and the United States presented a threat to peace and prosperity. The Marshall Plan, as an instrument of American foreign policy, was designed to prevent Communist parties in western Europe from capitalizing on the social and economic chaos of the post-war years. The overriding effort in foreign relations was the creation of mutual defence systems — N.A.T.O., S.E.A.T.O., the Baghdad Pact, the mutual defence treaty with Japan and (later in the decade) NORAD.

The Canadian government played a role in these developments as a charter member of the Atlantic community. Our ties with the United States and the Commonwealth (particularly Britain) dictated our conception of our international role. We settled down as a middle power, protected by the nuclear shield of the United States, and proud of our leadership in the United Nations.

In any case, the concern of the vast majority of Canadians was not with the intricacies of foreign affairs. It was with the more pressing problem of the development of a half-continent.

Post-war dislocations had a tragic human dimension as well — displaced persons. The political alignment of Eastern Europe presented a dilemma for literally millions of people. For those who had been displaced by the war, the question was whether to return to their homes. For those who were unsympathetic to the new communist regimes, the question was whether to leave.

If Canadians were not interested in the issues of real-politik, they could appreciate the human suffering involved in the chaotic conditions existing in Europe.

The result was the decision to bring in immigrants. Between 1946 and 1955 some 100,000 Poles, 24,000 Russians, 12,000 Lithuanians, 13,000 Latvians, 24,000 Yugoslavs, 17,000 Austrians and 13,000 Romanians came to Canada. In total, 1,222,000 immigrants entered Canada in the ten years after the Second World War.

"New Canadians" had an unprecedented impact on the social and economic life of Canada. Heavy inflows of immigrants during

the last decade of the nineteenth century and the first decade of the twentieth century had been fairly evenly distributed across central and western Canada. The post-war immigrant, on the other hand, settled mainly in urban Canada. These were not people who dreamed of a homestead — they were often urban people who wanted jobs and homes in urban Canada. Many had professional or technical skills. They wanted the opportunity to use these skills.

What kind of a country did they find? Serious racial and religious problems that had marred Canadian society at the end of the First World War were contained by the cautious policy of Mackenzie King. There was no conscription crisis in Canada during the Second World War. Ill-feeling yes, but limited, and without the repercussions surrounding conscription in 1917.

Canada, and particularly Ontario, was changing from a rural to an urban society. Industrialization of the economy had progressed significantly during the war, and the composition of occupations and industrial distribution in the labour force was changing. Labour unions had made significant gains in the war period. By 1948, three out of every ten non-agricultural workers were members of labour unions compared to less than two in ten in 1940.

Industrialization was primarily a factor in central Canada, with the two leading Canadian cities — Montreal and Toronto — showing the way. Ontario was particularly fortunate in terms of its geographic location, its raw material and energy resources, its transportation and communications system, its diversified industrial base, its relatively enlightened labour legislation, and the presence of a stable government concerned with the promotion of industrial growth.

Although Quebec enjoyed many of the same advantages, the Duplessis government was far more interested in the perpetuation of a concept of Quebec as the bastion of French-Canadianism. The constellation of forces that supported the Union Nationale government were adverse to the prevailing forces of change.

Given the disparities between the two

central provinces, it is not surprising that Ontario attracted the lion's share of new immigrants. On average, Ontario received over 50 per cent of all new immigrants. The actual percentage of total immigrants living in Ontario, however, is closer to 60 per cent, as many newcomers moved on to the "province of opportunity".

The early 1950's were marked by the conscious shift in Canadian political, social and economic life to a concern with the development of a new industrial and urban society. Politically, the nation retreated from its involvement in international affairs, and was content to play a role in the United Nations and in NATO in keeping with its own image of its military power and potential.

We depended on the United States for our security, as we had depended on Britain in the past. We saw ourselves as a middle power, concerned with keeping the peace, but in concert with other nations, and within the framework of the United Nations. We opted for a limited defence budget, relative to our Gross National Product. We made an attempt to maintain a sophisticated military research and development program, particularly in aircraft, but a large part of this effort was abandoned in 1958.

Economically, the early 1950's marked Canada's coming of age industrially. Industrialization in Canada, and most notably Ontario, was tied to the United States economy. Again the options were limited. Sharing, for the most part, a common language and a common cultural inheritance, it is not particularly surprising that the drive for material well-being, that triggered the expansion of the U.S. economy during the 1950's, should be shared by the majority of Canadians. We wanted the same products, the same conveniences, the same services. Conditioned by the spillover of American advertising, we wanted, and got, the same brand names.

The tariff barrier, originally erected to protect the Canadian market for Canadian producers, was effectively a funnel for the inflow of American capital. Indeed the tariff structure contributed to the emergence of a

branch plant economy in Canada.

Canadian economic and commercial policy was not designed to restrict the penetration of U.S. corporations. If anything the reverse was true. By manipulating interest rates so that Canadian rates were marginally higher, we assured ourselves a constant supply of U.S. dollars. This steady capital inflow drove the Canadian dollar up, and militated against expanding our exports of manufactured goods.

This situation was possible as long as there was a strong demand for our resource-oriented exports. So long as the Americans were prepared to buy our exports, and so long as the tariff barrier gave the domestic market a reasonable degree of protection from goods made in the U.S.A., the hothouse economic environment was feasible.

The first signs of breakdown in this continental economic system came in the export markets. As Europe and Japan recovered, their industries recaptured their domestic markets. This was not too serious for Canada because of our limited dependence on the export of manufactured goods. For many Canadians, the recovery of Europe was seen as beneficial because of the anticipated increase in demand for Canadian raw materials. But, by the late fifties, Canadian exports were even more dependent on the U.S. market — over 62 per cent of our exports went to the United States in 1959.

The virtual stagnation of Canadian foreign trade in the period following 1957 was a function of the slow growth in the American economy. The recessions of the late fifties and early sixties spelled the collapse of the tenuous continental economic system which had evolved. And to make matters worse, the sharp increase in imports from non-American sources was seriously eroding Canada's domestic markets for her newly-established industrial capacity.

Canada's economic problem was complicated because of the continuing heavy inflow of American capital. The Canadian dollar was still at a premium. The inflow of capital had an inflationary effect on the economy. But the employment situation was deteriorating.

Something had to give and it did — the Canadian government, reacting to a serious balance of payments squeeze devalued the dollar and pegged it at 92¢ (U.S.).

The Americans were also facing a serious problem — the outflow of gold. The significant difference between the two countries' balance of payments problems was that the U.S. continued to run a favourable current account balance. The opposite was true of Canada. Although we sold more to other countries than we bought, our huge deficit with the United States created an overall current account deficit. The United States' problem was related to the export of capital. We borrowed capital to finance our deficit.

The balance of payments problem facing Canada was also more serious because of the importance of trade to the Canadian economy. External trade in the United States represented about five per cent of GNP. In Canada external trade represented about 25 per cent of GNP.

By the end of the 1950's the economic miracles in Germany and Japan were complete. In Europe a new economic entity was being created — the European Economic Community. The Treaty of Rome created the economic equivalent, in terms of manpower and productive capacity, of the two superpowers, the United States and Russia. If Europe lacked anything it was resources — particularly adequate energy supplies. In terms of any other measure of industrial strength it was the rival of the United States.

From Canada's relatively parochial point of view, the Common Market was seen as an experiment in economic development. But when Britain undertook negotiations to enter into the community, the interest of Canada seemed to be threatened. The response was predictable — anxiety followed by cries of outrage.

Canada was concerned with the possible loss of our preferred position in the British market. And we shared this concern with other Commonwealth countries.

From the American point of view the Common Market was the logical outgrowth of

efforts to develop closer political and economic ties in Western Europe. After the failure of the European Defence Force, and the problems associated with providing Europeans with American nuclear arms under NATO control, American decision makers were prepared to accept any initiative from Europe that would cut through the gordian knot. American interests were divided between the purely economic threat of a strong common market, and the desire to ensure that Europe was strong and united in its commitment to defend itself against Russia. In any case, the Common Market was the logical outgrowth of several experiments in multi-national cooperation — Euratom and the European Steel and Coal Community.

Faced with the reality of the common market, the United States seized the opportunity to suggest a negotiated downward revision in tariffs. The predominating view in the United States at this time was the need to ensure that trade was liberalized and that the Common Market did not adopt a protectionist stance.

American corporations made every effort to hedge their bets and moved quickly to set up or expand their operations within the community. One result of this shift by U.S. corporations was to reduce the flow of capital to Canada. Total direct foreign investment in Canada had averaged well over \$500 million between 1956 and 1962, but fell to half that amount in 1963 and 1964.

Despite the problems associated with the emergence of the Common Market, the Canadian economic situation began to improve. One contributing factor was the devaluation of the Canadian dollar. The sharp drop in the dollar provided better protection in our domestic market. And Canadian manufacturers were quick to respond to the incentive. But even more striking was the resurgence and diversification of trade, buoyed by the wheat sales to communist countries. By 1964, the United States was taking only 53 per cent of Canadian exports, down from 62 per cent in 1959.

The importance of the wheat sales cannot be overemphasized, but the significant deve-

lopment was the gradual change in the composition of Canadian trade. More and more Canadian manufacturing firms were beginning to flex their wings in world markets.

From the point of view of world trade the emergence of the Common Market was pivotal. Not only was the concept of a common market picked up and applied elsewhere, but the success of the concept revolutionized international trade.

Developed western nations accounted for 66 per cent of total exports in 1958 and 70 per cent in 1969. If one includes the communist nations, developed countries accounted for 80 per cent of total trade by 1969.

The expansion of world trade in the past decade has been primarily a function of trade between developed nations. In 1969, for example, over 65 per cent of world trade consisted of manufactured goods.

Western European nations, the United States, Canada and Japan took 73 per cent of the exports of manufactured goods and shipped 88 per cent of manufactured goods in total trade.

Another significant factor in this development is the importance of trade within blocs. When the E.E.C. came into operation in 1959, the six member countries were all major world traders. Total exports exceeded \$25 billion and about 32 per cent of this trade was with member countries. By 1968, their exports to member countries had increased by over 200 per cent and accounted for 45 per cent of total exports. Exports to other countries rose by only 85 per cent.

This same pattern held for EFTA countries. Internal bloc trade rose by 150 per cent between 1959 and 1968, but exports to other countries rose by only 50 per cent.

Though Canada and the United States do not form a common market, the agreements on agricultural implements, defence sharing and automobiles and parts have created a partial trade bloc. Between 1959 and 1968 total North American exports doubled in value. In 1959 trade between the two countries accounted for about 30 per cent of

total trade. This had increased to over 35 per cent by 1969.

The big change came with the signing of the auto pact in 1965. Between 1964 and 1969 Canadian trade with the U.S. rose by 139 per cent. United States' exports to Canada increased by 100 per cent. In 1970 the United States took about 70 per cent of all Canadian exports and provided about 70 per cent of all imports.

Not only did the auto pact influence the direction of Canadian trade, it had an unprecedented impact on the composition of Canadian trade. In 1969, Canadian exports of manufactured goods amounted to 37 per cent of total Canadian exports. Automobiles and parts contributed 24 per cent of total exports. Another 36 per cent of our exports were fabricated materials.

The auto pact was the direct result of the search to find a better balance of trade with the United States. In the 1957-61 recession period the trade imbalance with the United States was singled out as the major source of the Canadian balance of payments problems. And the single most important item in the deficit was trade in automobiles and parts.

Despite the provision for Canadian content in Canadian made cars, the Canadian industry ran up huge trade deficits. The Bladen Commission was appointed to make recommendations to correct the situation. In 1965, the two governments signed the auto pact that provided a virtual free trade in automobiles and parts, but with safeguards built in to develop Canadian production and to reduce the imbalance in trade between Canada and the United States.

With the auto pact the Canadian government took a long, and possibly irrevocable step, towards the formalization of a continental economic system. Whereas the emergence of economic interdependence between the two countries in the 1950's was a result of external factors — the virtual vacuum caused by the destruction of European productive facilities — the new continentalist thrust was a conscious design of the governments of Canada and the United States.

Canada's proudest hour in international

affairs was probably the dedicated work of Lester Pearson. As president of the United Nations Assembly, he established a reputation for trust and fairness that led to his pivotal role in the solution of the Suez Crisis.

During the fifties the attention of the world was focused on the situation in Berlin. This was a running sore in the international body politic. But there were a host of cancers festering in other parts of the world — The Middle East, South East Asia, Algeria, The Communist Satellites, the Congo, and Latin America.

Looked at in the broadest perspective, international politics can be seen as the process of adjustment to a new balance of power between Russia and the United States. As the older imperial powers retrenched, sometime willingly and sometimes after bitter struggles, the former colonies and dependencies were put under pressure to line up with one power block or another. Russia, the United States, and in the mid 1960's, Communist China, attempted to win friends and influence people. The weapons of the cold war were economic and technical aid, weapons, cultural exchanges, recognition of revolutionary governments, subversion (practiced by both sides), and on occasion, direct military intervention.

As a result of the complicated manouvering that went on, the period since the mid 1950's has been characterized by almost continuous strife — revolutions, purges, civil wars, agressions, and in Vietnam, the massive involvement of one of the superpowers.

The conception of the world as two polarized blocks dominated political relations in the fifties. In the sixties, however, this simplified view came into question. The Cuban revolution challenged the hegemony of the United States in the western hemisphere. Russia's control of its Eastern European satelites was also tested, successfully by Yugoslavia, but unsuccessfully in East Germany, Poland and Hungary.

China's growing influence also created strains. Western European communist parties split over the question of Hungary. The prevailing interpretation of the doctrine of

communist solidarity crumbled as events demonstrated the existence and the depth of the fissures in the communist monolith.

Divisions in the east were mirrored by a similar process of disintegration in the west. U.S. leadership was not questioned openly during the period of Dulles' ascendancy. The American doctrine of the nuclear shield and massive retaliation guaranteed the security of Western Europe. This policy was never tested, and the aborted intervention of France and Britain in the Suez Affair demonstrated that the super powers were capable of reaching an accord on issues that affected their interests.

France, after costly wars in Indochina and Algeria, turned once again to De Gaulle. His vision of the role of France and his ambitions to lead a Europe independent of American control created a new set of problems. If De Gaulle could not dictate to the Americans, he could at least frustrate their policy and humble the British.

In all this Canadian policy was peripheral. We contented ourselves with the role of peace-keeper, contributing forces to the middle-east, and as a member of the International Control Commission in Indochina. NORAD was set up to coordinate the defense of the North American Continent. Canada agreed to a new role in NATO.

For a nation that was primarily concerned with domestic problems it was poetic justice that a government should disintegrate on a foreign policy issue — the acceptance of nuclear arms.

For the most part, however, the impact of international politics on the Canadian people was limited. We accepted our role as a junior partner in the Atlantic community and never really questioned the leadership of the United States.

The direct impact on Canada of the unsettled conditions in the world around us was the shift in the source of immigrants coming to Canada. After Suez, resulting in the heavy inflow of British people, and the special conditions surrounding the Hungarian crisis, immigrants from the Mediterranean basin began to move to Canada in growing numbers. First Italy and then Greece and Portugal

became major sources of new immigrants to Canada. Unlike the early post-war immigrants, many of the immigrants from southern Europe were not urban people. This presented adjustment problems that were virtually ignored by both the federal and provincial governments.

On the whole, the flow of immigrants provided the basis for the industrial expansion of Canada. With a steady flow of workers, the economy could expand rapidly without straining the manpower resources of the country. In the mid-sixties, Canada was able to achieve impressive rates of growth.

If Canada's role in international politics was limited, the transition that was taking place within the country was crucial to its survival as a nation.

Canadian federalism was undergoing a transformation. The central issue was, and still is, the position of Quebec in Confederation. Under the leadership of Duplessis, Quebec was content to fight a rearguard action designed to protect its position. As long as the federal government did not attempt to interfere in the internal affairs of Quebec, the status quo could be maintained.

The attack on the Duplessis regime did not come from Ottawa. It came from within the province and was spearheaded by a small group of intellectuals with access to the media. The main thrust of the attack was at the limited vision of Quebec society maintained by the alliance of Union Nationale politicians, business interests, and the Catholic Church. The system was maintained through a complex marriage of political and economic interests and a genuine desire to preserve the French-Canadian culture in an increasingly English-speaking world.

The quiet revolutionaries argued that this response was inadequate. They saw the absolute necessity to bring Quebec into the twentieth century. They felt that the traditional institutions of French-Canada were not serving the people of Quebec and that the maintenance of the status quo was impossible. They advocated a new strategy — full partnership with English Canada in the national government and the supremacy of

the French in Quebec.

The victory of Jean Lesage opened up Pandora's box. Quebec launched a series of reforms in government administration, education, and industrial development. Hardly any sector of the community was not affected by the winds of change.

To the radical elements in Quebec the continuing presence of "les Anglais" in positions of power was galling. The revolution had not really changed the prevailing power structure. All that had happened was that establishment had co-opted the leaders. To some the only solution was complete separation from Canada.

The depth and intensity of the feelings of French-Canadians was simply incomprehensible to the rest of Canada. For English Canada the 1960's was a period of national awakening. The debate over nuclear arms had forced us to appreciate the political and economic implications of our involvement with the United States.

The question of whether Canada should have nuclear weapons was no longer an academic debate — it became a crucial political issue that destroyed the federal Conservative government.

The new Liberal government at Ottawa was sensitive to the awakening of Quebec, and of the need to reconcile Quebec within a nation that was beginning to develop a new sense of national identity. One of the first moves was to introduce a new flag.

Unfortunately, this symbolic gesture opened old wounds. The stirrings in many parts of Canada towards a new nationalism were tentative at best. For many people the flag was seen not as a conscious attempt to create a new symbol of Canadian unity, but as an affront to the Crown and to the cherished British connection. In the minds of many it was a sell-out to Quebec.

The flag issue did not cut so deeply that the country would divide. It was a highly emotional issue but it lacked any real substance. And, in any case, the country was rapidly approaching the Centennial.

1967 started on an euphoric note. The cynics were proven wrong. Canadians of all

backgrounds seemed to be sharing a new awakening of Canadian nationalism. When Mayor Drapeau's contribution to the Centennial — Expo 67 — opened in Montreal, the whole Centennial celebration seemed to be heading for success.

Forgotten, for the moment, were the bombings in Montreal. Forgotten was the scene in Quebec City, of the Queen guarded by tight security. Forgotten was the whole question that had come to dominate politics — what does Quebec want?

And then De Gaulle, and the fateful phrase — VIVE LE QUEBEC LIBRE!

Though the problem of Quebec attracted the attention of the press, the roots of Canadian federalism were eroding as the pendulum of political power swung to the provinces. Ottawa's response to the pressure was inconsistent and inadequate. The Pearson years were marked by an abortive attempt to develop what was called "cooperative federalism". But by 1967 there was a growing awareness that the old foundations of our federal system had outlived their usefulness. A new basis was needed.

If De Gaulle's phrase shook Canada's confidence in its own future, John Robarts' "Confederation of Tomorrow Conference" restored a sense of balance and perspective. The process of constitutional reform began.

The pressures on Canada were rapidly escalating. The growth of nationalism in the country put the whole question of the continental economic system into a new perspective. If the Quebec radical attacked the dominance of English capitalism in his province, the radical in English Canada could not ignore the presence of American capitalism.

One significant factor contributing to our reassessment of our economic relations with the United States was the growing revulsion over the continued and deepening involvement of the United States in Vietnam. Once the question of the morality of the U.S. involvement became a political issue, the door was opened to question the whole basis of United States relations with Canada.

As the sixties drew to a close, the

international environment within which Canada lived had been radically transformed. American involvement in Vietnam was the central political issue on the world stage, but there was every indication that the Americans were winding down the war, or at least their role in it. In any case, the conflict had not resulted in a major confrontation with the communist world. Indeed, despite the commitments made by the United States to the war, there were signs that the United States and Russia had moved towards reconciliation. The test-ban treaty in the early sixties marked the beginning of a détente.

The Middle East presented real difficulties. Here again, however, the evidence pointed to the attempts of the two major powers to find a settlement without recourse to war. The United States, in particular, seemed to be bending every effort to restrain Israel, but at the same time maintaining the balance of military power.

If the political situation was improved, the same could not be said of the economic situation. The emergence of western Europe, led by West Germany and the Common Market countries created an entirely new dimension in the world scene. The Common Market countries were the leading world exporters and Germany was beginning to close the gap with the United States.

The German Mark was one of the world's strongest currencies, but world trade was still predicated on the United States dollar. Continuing balance of payments difficulties plagued the United States throughout the 1960's. Britain and France were both forced to revalue their currency downwards. Canada, under pressure from the heavy capital inflows countered by freeing the dollar.

On the other side of the world, the Japanese economy boomed throughout the sixties. The Japanese penetrated world markets with the products of one of the world's most advanced industrial economies. And they were so successful that the United States manufacturers were beginning to talk protectionism.

By the end of the sixties the tenor of world economic thinking was challenging the as-

sumptions about free trade that formed the cornerstone of the GATT agreement. Although GATT had been successful in lowering tariffs, a whole series of new techniques, as well as some old ones, had been developed to circumvent the spirit of the agreement.

Non-tariff restrictions proliferated. Many European nations moved to a value added system of taxation as a method to improve the export potential of their secondary industries. The United States considered a series of tax-reform measures including a value-added tax and the DISC program. Congressional approval was given to import quotas on selected goods, but this move was vetoed by the president.

By the end of the sixties the outlook for international trade was not promising. The continued outflow of gold from the United States, despite the adoption of restrictions to improve the balance of payment situation, brought the long-term stability of the American dollar into question. The whole system of world trade, based on the U.S. dollar, was threatened.

Though the rise in the volume and value of world trade benefitted all industrial nations, the benefits were not distributed equally. Some countries gained more than others, and some industries in each country were adversely affected. The industries that were hurt wanted help and, too often, they got it in the form of non-tariff protection, the application of anti-dumping laws, subsidies, or "voluntary" quotas on imports. All of these measures were stop-gap. They did not answer the basic problem of the competitive inefficiencies of technologically obsolete industries.

Another source of the problems of international trade was the realization that the growth of trade was a function of the parallel growth of the multi-national corporations. The multi-national rather than the nation state was the true recipient of the benefits of the increase in foreign trade. The multi-national had become the vehicle for trade. By the end of the 1960's, world trade was less the exchange of goods and services between national economic units, and more

the exchange of goods and services between or within multi-national corporations operating on a world scale.

From the individual nation's point of view, the multi-national operated on a scale that defied the ability of any single state to control its own economy. The nation state was concerned with the economic growth of the national economy. Its economic policy was oriented to this end. The multi-national was concerned with the economic growth of the corporation, and the growth of the individual nation state's economy was a secondary, albeit an important, consideration.

Particularly galling to many European nations was the penetration of their domestic markets by U.S. corporations. The growth of U.S. corporations in Europe was concentrated in the secondary manufacturing sector. In one key industry — computers — American subsidiaries controlled 80 per cent of total production. The high visibility of U.S. corporations was increasingly resented. As J.J. Servan-Schreiber put it: "What is good for General Motors may be good for America, but not necessarily for Belgium or Holland."

And to double the pain many Europeans noted the trend of U.S. corporations to finance their expansion by borrowing in Europe. In 1959, for example, American borrowings in Europe stood around \$500 million; in 1967 it reached \$2.6 billion. During the same period the proportion of U.S.-generated funds to finance investments in Europe fell from 25 per cent to 16 per cent.

The problems posed by the growth of multi-nationals, particularly U.S. corporations, were compounded in Canada. Hundreds of U.S. companies cut their teeth in international operations by coming first into Canada and then moving into other national markets. No other industrial nation had such a significant proportion of its economy controlled by corporations headquartered in other countries.

As long as the continental economic system was accepted in Canada, the presence of foreign corporations was not considered a serious problem. One of the reasons for this

attitude was the domination of International Unions in Canadian labour. Sharing a common language, reading the same periodical press, watching the same television and listening to the same top 30 on the radio, there was no reason for questioning the presence of American firms and brand names in the Canadian market.

Only in Quebec, with a different language and culture, was there a division between the two countries on basic communication and understanding. But, even in Quebec, the split was between French Canadianism and English Canadianism. Many Quebecois did not differentiate between the American and the English Canadian.

The emergence of a new sense of Canadian nationalism brought the whole question of foreign ownership to a head. The point of attack was the implication of the growing interdependence of the American and Canadian economies.

Continentalism was seen, for the first time since the fight over reciprocity, as a threat to the political existence of Canada. The motives behind the questioning of the U.S. penetration of the Canadian economy were varied. Some people argued that the Canadian economy needed foreign capital to grow, but felt that there was need for more stringent controls over the use of capital to protect Canadian domestic industry. Others contended that economic interdependence led inevitably to political ties with the United States. Some radicals were more concerned with the nationalization of private industry, and used the American takeover theme as a device to sell their version of socialism. By the end of the sixties the debate had escalated to the point that the need for any foreign capital for the development of the Canadian economy was questioned.

In the heat of the debate one essential factor was overlooked. The Americanization of the Canadian economy was not part of a deliberate attempt of the American govern-

ment to subvert Canadian political independence. It is somewhat paradoxical that the growing debate on the American threat to our independence took place at the same time as the government in Ottawa began to reassess Canadian foreign relations, and to come up with some policy alternatives that indicated Canada was prepared to take an independent line in foreign affairs.

To a very large extent the Americanization of the Canadian economy was a direct result of Canadian economic policy, made in Canada. We maintained the interest rate differential between the two countries in order to attract American funds. We asked Washington not to impose the investment guidelines on the U.S. subsidiaries operating in Canada. We negotiated and signed the auto pact. We maintained a tax system that facilitated the inflow of U.S. investment funds. We wanted and we got American corporations in Canada by offering a range of incentives — provided by both the federal and the provincial governments.

By the end of the 1960's, Canada faced a new set of problems. Or possibly they were the same problems in a new guise. The central issue of maintaining a national government in the face of explosive regional and racial tensions headed the list. Of equal importance was the task of maintaining a political and economic entity independent of the siren call of our neighbour to the south. Yet another key issue was the proper economic and social development of the nation with a balance between economic growth, environmental quality, individual liberties, collective action, livable cities, flourishing rural life, conservation of resources, and the reconciliation of crushing disparities of incomes and living standards among diverse regions and social groups.

The agenda for the seventies provides ample opportunity for creative and workable responses to the needs of our national society.

Ontario Society: The Demographic Base

Most Ontarians would not consciously admit to the existence of an Ontario society separate from Canada. But to an outsider, Canada is a highly regionalized nation, consisting of distinct geographic, cultural and economic areas. Ontario forms one such region in Canadian society, and is different in many ways from the other regions of Canada.

Cut off by the barrier of language, we accept the existence of a French Canadian culture. We see Canadian society in terms of relations between the French and the English. We talk about the duality of Canada and the need for an equal partnership between the two "founding races". As the cultural centre of English Canada, we are unaware of the deeply held regional identifications that exist in other parts of this country.

We see Canada as the extension of our own values and culture. We fail to see the real divisions that cut through all sections of Canada. We are blind to aspirations of the people of British Columbia, the Prairies or the Maritimes that are different from our own. We see expressions of local pride as just that; parochialism and provincialism.

Because we have our own particular vision of Canada, we have never consciously developed a strong sense of identity to our own region and to our own province. Since Canada is simply an extension of Ontario there is no reason to express our desires and aspirations through regionalism. We cannot see how we could separate from ourselves. Separatism in this province has always been, and remains, a problem with regions of Ontario, particularly the north.

What would be our attitude toward the federal government if it was physically located in Quebec or in Saskatchewan? Would Ontarians so readily identify with that government? Would they develop a stronger sense of regional identity? Or, what if the

population of some other region of Canada outstripped Ontario, and dominated the political life of the country? Would we be more sensitive of our own needs and desires?

Ontario's parochialism is grating to Canadians from other parts of the country. They see us as smug and self-satisfied. A degree of envy colours the response of non-Ontarians to the richest province in Canada. But most maddening of all is the inability of the Ontarian to even begin to see himself through the eyes of others: to recognize that Ontario is not Canada even if it is a cornerstone of confederation.

In a sense, Ontario is a microcosm of the Canadian nation. In terms of physical space alone, Ontario is larger than many countries. With almost eight million people it ranks well up in the world in terms of population. Its geological and climatic conditions give it a diverse character. And its population is pluralistic rather than homogeneous.

Measured by any standard, Ontario has all the attributes of a nation, but lacks one essential ingredient — a sense of nationhood. As long as the Ontario resident sees himself as a Canadian first and a resident of Ontario second, a conscious identification of a unique Ontario society will be lacking.

The point, however, is not the need to create a sense of self identity in Ontario, it is rather that an Ontario society exists. It exists as a separate and discreet entity within the Canadian nation. It is a society that can be and should be considered as an element in the Canadian matrix.

What then is the shape of Ontario society?

In June 1970, more than 7,600,000 people lived in the province. Ontario's population increased by 2,000,000 people from 1951 to 1970. In the 1951-1961 period the rate of growth of the population was 3.0 per cent each year. After 1961, the rate of increase

slowed to about 2.2 per cent per year. On the whole, however, Ontario's population growth rate was higher than most countries of the world, higher than any other developed country, and higher than any other region or province in Canada. By 1970, Ontario accounted for almost 36 per cent of Canada's population, up almost three percentage points from 1951.

Between 1951 and 1961, natural increase accounted for slightly less than 60 per cent of population growth. More than 40 per cent of the growth came from net migration into the province. In the 1960's, net migration continued to supply more than one-third of the increase in Ontario's population growth.

One primary source of the increase in population was the "baby boom". Through the forties and early fifties the birth rate rose, reaching a peak of 26.8 births per thousand in 1957. After 1957, however, the birth rate trended down.

Another source of the increasing number of people living in Ontario came from immigration. This inflow of new residents had an immediate effect on the basic social structure of the Ontario population. In 1951, almost 82 per cent of all Ontario residents were Canadian born. By 1961, this proportion had declined to 78 per cent, and by the end of the decade about 75 per cent of Ontario residents were Canadian-born.

Census data on ethnic origin give another method of looking at the composition of the Ontario population. In 1951, people of British origin formed the largest ethnic group — about 67 per cent of the total population. The proportion of residents in Ontario reporting British origin has declined steadily. These data are inconclusive, however, because they tend to overemphasize differences among people who have lived together for several generations.

Whether one looks at ethnic origin, place of birth or mother language, the same fact emerges — Ontario is a pluralist society.

The pluralism of Ontario society is also reflected in the religious affiliation of Ontario residents. In 1951, Roman Catholics, Anglicans and United Church members formed the

three dominant religious bodies of the province. Together they accounted for 74 per cent of the total population, and the United Church had the largest number of members. By 1961, the Roman Catholic Church was the largest church in terms of adherents. The high levels of immigration in the 1960's from Southern European countries will contribute to a further shift towards the Roman Catholic Church.

Immigration was the single most important factor in the emerging pluralism of Ontario society. It profoundly changed the ethnic and religious composition of the province. Once predominantly British and protestant, Ontario has changed to a society in which no one religious or ethnic group dominates. Porter's analysis of Canadian society as a "Vertical Mosaic" holds for the past, but it does not take into account the pressures that are changing Ontario society.

Immigration also had an impact on the age composition of the population. Low birth rates in the 1930's and early forties would have had a more marked effect on the age composition if immigrants had not moved in to fill the vacuum. Without high levels of immigration, the 20-29 year age group would have declined as a proportion of total population even more severely than it did in the two decades following 1951. But, because of the inflow of young people, the age composition of the population remained relatively stable.

Of significant importance to the school system was the steady increase in the proportion of the 5-19 year age group in the total population. In 1951, this age group accounted for about 23 per cent of the total population. In 1961, it represented 27 per cent, and by 1970 almost 30 per cent. The growing school age population placed severe pressure on the province to supply educational facilities. Elementary schools in the 1950's and secondary schools in the 1960's were expanded to meet the demand. One result was the increased cost of education simply to supply pupil places and trained teachers.

The education crisis was complicated by two

other trends: the lengthening of the years of education needed in a technologically advanced economy; and the desire to provide equality of educational opportunity. In 1951, approximately 53 per cent of the population between 5 and 24 years were enrolled at school. By 1961, this proportion had increased to 69 per cent. This trend accelerated with the sharp rise in the number of young people attending universities and Colleges of Applied Arts and Technology.

The increase in school attendance rates, particularly for the age group of 15-19 years, will have a long term impact on general educational levels in Ontario. Between 1951 and 1961, for example, there was an overall reduction in the proportion of the population, ten years of age or more, with eight years or less formal schooling.¹

The changing age composition of the Ontario population also had a direct impact on the number of marriages and rates of family formation. Low birth rates in the thirties led to a relative decline in the number of people in their early twenties in the period following 1951. Not surprisingly the marriage rate in the province declined steadily between 1951 and 1962. Partially offsetting this trend was the gradual reduction in the average ages of both brides and bridegrooms.

Trends in Immigration and Migration

A number of demographic trends will have an impact in the future. Probably the most significant, as it has been in the past, will be the trends in migration.

In the 1951-61 period, net international migration accounted for about 34 per cent of the increase in total population, and net inter-provincial migration added another 7.6 per cent. From 1951 to 1960, immigration to Ontario from other countries averaged over 83,000 people per year. Although interna-

tional migration to Ontario fell off somewhat during the 60's it still averaged 74,600 from 1961 to 1969. Total net migration accounted for 41 per cent of Ontario's population increase between 1951 and 1969, with net international migration probably accounting for over 30 per cent of the rise in population.

The relative decrease in immigration during the 1960's contributed to the slow-down in population growth. The other factor was the decline of fertility rates. Though population projections can be made given knowledge of historic trends in fertility and mortality rates, migration presents a relatively unknown factor.

Inter-provincial migration, while it affects the total population gain for any particular province, does not substantially change the social composition of the population. Ontario tends to attract significant numbers of people from the Maritime provinces, Quebec, Manitoba and Saskatchewan. On the whole, these migrants are Canadian-born. The international movement, therefore, is far more significant in terms of its impact on the composition of the population.

For purposes of comparison, data on immigrants by country of birth for the years prior to 1956 should be ignored for two reasons: one, lack of comparability of data; and two, the distortions caused by the resettlement of displaced persons following World War II.

The primary sources of immigration in the period from 1956 to 1966 were Britain, Italy, Germany and the United States. Since 1967 there has been a marked shift in the pattern of immigration. There has been a substantial decline in the number and the proportion of immigrants from Great Britain and Italy. Offsetting this has been the sudden and sharp rise from Asian countries, the West Indies and the United States.

Population projections prepared by the Department of Treasury and Economics assume that immigration to Ontario will probably level out during the 1970's to an average of 50,000 per year. A high estimate sets immigration at 70,000 per year.

If recent trends continue, we can expect a

¹ The percentage of people with less than five years schooling rose from 5.9 to 6.1 per cent in the same decade. This can be attributed to immigration, particularly sponsored immigrants. The data on the years of schooling of immigrants coming directly into the labour force, however, indicates that they have higher levels of educational attainment than Canadian-born members of the labour force.

rising proportion of Asians and West Indians in the total immigrant flow. These two groups may make up over 30 per cent of the total immigrants coming into Ontario by 1980, or approximately 15,000 to 21,000 per annum.

Inter-provincial migration is another unstable factor. According to the Department of Treasury and Economics, net inter-provincial migration added about 125,000 people to Ontario's population between 1951 and 1961. From the statistical material now available it would appear that this trend has continued during the sixties. The bulk of immigrants are young unmarried males from the Maritimes and Quebec. The lack of sufficient data, however, makes it very difficult to generalize about this movement, although economic factors, predominantly employment opportunities and wage rates, appear to be the determining variables in inter-provincial migration.

Because net migration is such a volatile factor in population growth, it is important to understand the basic social, economic and political factors influencing the movement of people into Ontario.

"The volume of immigration in any particular period of time depends on the interplay of economic and political conditions in Canada and abroad. Usually immigration increases when economic conditions are favourable in Canada and relatively depressed in Europe. Political events abroad also influence the flow of immigrants. . . However, future Canadian immigration will be directed mainly by our internal economic situation."²

The interplay of political and economic conditions is complex. Among the pertinent political factors that must be considered are:

1. the immigration policy of Canada;
2. the operation of that policy through the administrative process;
3. the emigration policy of the country of origin of the immigrant;
4. the external political factors; and
5. the internal political factors.

Canadian immigration policy and the ad-

ministration of that policy is not passive. In 1967 Canada adopted a non-discriminatory policy and administrative procedures were standardized to achieve this end. In actual practice, administrative control continues to be exercised both formally and informally. For example, the number of Canadian immigration offices in a country influences the number of immigrants. Advertising and promotional budgets can also shift emphasis.

At the other end, some countries deliberately restrict emigration while others operate an active policy of exporting surplus population. This situation is also complicated by immigration policies adopted by other receiving countries such as the United States.

Unlike the 19th century when mass immigration was an accepted fact of life, governmental controls have grown rapidly in the 20th century. Canada, almost alone of all industrial nations, operates an open immigration policy. Immigration in most nations is more rigidly controlled. While we have moved in this country to relate immigration to our internal manpower needs, we have stopped short of exercising controls to gear the migrant flow to specific social as well as economic objectives.

In the main, it can be argued that Canada, for a variety of reasons, has not yet seen fit to adopt a restrictive immigration policy. But there are growing pressures within the country to reduce the inflow of immigrants. It is, therefore, realistic to anticipate the development of a more restrictive immigration policy in Canada within the next ten years.

The possibility of a direct political control over the movement of population within Canada is out of the question. One of the fundamental conditions of any democratic federal state is the free movement of citizens of that state within its borders. Federal officials, however, are trying to discourage the movement out of the Maritimes through a policy of regional economic expansion. Mobility incentives are also used selectively. Nevertheless, the continuation of regional economic disparities will lead to extensive internal migration.

² Department of Treasury and Economics, Population Statistics Ontario — 1969, page 29.

In the short-run, Ontario will continue to act as a magnet pulling population out of depressed areas with the lure of employment and incomes. Unless the regional disparities are reduced, this process will continue indefinitely, creating serious social and economic problems both in the areas losing population and in the reception areas in Ontario.

Trends in Age Distribution

It is estimated that by 1980 Ontario's population will reach 8,800,000. Though the annual rate of increase (about 1.5 per cent) will be well below recent years, it is comparable to that in the first decades of this century.

The projections for Ontario's population to 1980 suggest that the decline in age-specific fertility rates will level out in the seventies. But this may well be at or near an all-time low. As a result, the age distribution trends noted for the 1960's will continue. The 0-4 age group will decline from 8.2 per cent of the population in 1971 to 7.6 per cent in 1976. By mid-decade, however, the very high proportion of people in their twenties (17.6 per cent) will result in an upswing in births, even with low fertility rates, and the proportion of the population in the 0-4 age bracket will rise to 8.2 per cent by 1980.

The age group of particular concern for educational authorities is the 5-19 year-olds. The proportion of total population in this bracket rose steadily from 22.7 per cent in 1951 to 29.6 per cent in 1966. It is expected to remain at that level through to 1971 and then fall to 27.2 per cent in 1976 and 24.5 per cent in 1980.

The drop in the proportion of the school age population is also reflected in a decrease in actual members in the 5-14 age groups from 1971 to 1980, but there will be a sharp rise in the 15-19 age group, particularly in the early 70's.

Discounting internal shifts in population, the educational plant already in place will be adequate to meet demand at the elementary and junior high level. Continued construction will be related to internal migration within

Ontario and replacement of obsolete buildings. We can, however, anticipate increasing pressure on the secondary school facilities and post-secondary educational institutions of all kinds.

Trends in university enrolments support this conclusion. According to the Economic Council of Canada projections, total Ontario post-secondary enrolment will rise from 113,200 in 1967-68 to 376,300 in 1979-80. The increased enrolment is expected to take place in both universities and other institutions at approximately the same rate.

Projection of enrolment at the post-secondary level is a risky undertaking. Much depends on public policy. There is a commitment by government to provide educational facilities for children under 16 years of age. This means that elementary and secondary schools are required to meet this established objective. But the provision of post-secondary educational institutions might well be considered a privilege rather than a right.

This attitude is reflected in the requirement for fees at these institutions. Although we have begun to remove the financial barriers to post-secondary education by direct subsidies to students as well as to institutions, we have not yet accepted the idea of extending the principle of "free education" to the post-secondary level.

Growth in enrolment at post-secondary institutions rests with government policy. The pressures now building would seem to suggest at least a move to open up non-university institutions as "free schools" but much depends on the establishment of a comprehensive post-secondary educational policy.

The 20-29 age group is crucial on several counts. Changes in this age bracket affect marriage and family formation rates. Trends in university enrolment, particularly in graduate and professional schools, are also influenced by the numbers in this age bracket.

The official projections indicate that the proportion of total population in the 20-29 age group (13.2 per cent in 1966) will rise to 15.6 per cent in 1971, to 17.3 per cent in 1976 and to 18.2 per cent in 1980. This will result in a sharp increase in marriages.

Marriage rates per 1,000 population declined steadily from 1951 to 1961, reflecting the proportionate decline in the 20-29 age group. Since the early sixties there has been a reversal of this trend and we can expect a steady increase in the marriage rate through the seventies.

The impact of this rapid growth will be felt in both the housing and labour markets. The trend towards higher educational levels does not necessarily affect the trend towards earlier marriages. There is, in fact, an increasing proportion of university students who are marrying but remaining at school. In some instances the wife may work and support the husband. This has been an accepted pattern for some years. Today, however, given adequate financial support from either the parents or the state, married couples attending school are no longer a rarity.

The trend towards higher education does, however, affect the growth of the labour force. Participation rates (percentage of total people in each age group in the labour force) for the 15-19 age group have been declining.³ This is also the case with the 20-24 age group. The figures for females 20-24 show remarkable stability, but this is a result of conflicting trends — more females in school as well as more females working. We can expect a continuation in the decline in participation rates in the 20-24 age bracket for males and probably for females.

Another significant demographic trend is taking place at the upper end of the population pyramid.

There will be a steady, but gradual, increase in the proportion of the population aged 60 or more. Coupled with the long-term trend towards earlier retirement, a trend that may well accelerate under the impact of changing industrial technology, the growth of this age group has serious implications for the future.

³ One of the anomalies of Canadian statistics is that the potential labour force is based on the population 14 or more years old. The choice of the 14 year-old age level is unrealistic. In the United States, for example, the base is set at 16 years. Since school leaving age is 16 for most of Canada's population, it would make more sense to adjust the labour force data accordingly.

We have not yet solved the problem of old-age security, adequate housing or acceptable social integration of the aged into a society dominated by a conception of perpetual youth.

Trends in Family Life

The fundamental social institution in our society is the family.

Despite its central position it is almost completely over-looked by demographers in their discussion of population trends.

For example, the Canada Year Book, 1969, contains more than 1,200 pages of facts and information on Canadian life, but only one page is devoted to the family.

While we have data of marriages, divorces, separations, births, deaths, sex ratios, urban and rural distributions, immigration, migration, etc., we do not seem to be concerned with changes that occur in the family as a social unit.

The family, sanctified by religion and sanctioned by law, is virtually ignored by demographers. As a result, the statistical data available relating to family life in Ontario is severely limited.

In 1941, 85.0 per cent of the total population was classified by the census as living in a family unit. This proportion declined to 70.3 per cent in 1951, but increased to 73.7 per cent in 1966.

The significance of the non-family household (unrelated persons living together) is hard to estimate for the future. If it represents a transitional stage — a period of time between leaving a home and marriage — it has certain economic consequences but limited social consequences. The question is whether the non-family household is a permanent state of affairs for an increasing number of people.

The proportion of single people 15 years old or more has declined from 1941 to 1961. The upsurge in marriage rates and the decline in the average age of brides and bridegrooms, indicates that the "baby boom" generation are marrying as they come of age, and marrying at an earlier age than their parents.

The much discussed sexual freedom of the

permissive society does not seem to have had any impact on the propensity to marry. But the question still unanswered is whether marriage, as a social institution, is changing in character.

Marriage is, first of all, a social relationship sanctioned in law. Legally, marriage involves a contractual relationship between two people that can be broken only through the judicial process.

"Until fairly recent times, not only were wives considered to be their husband's property, but when a woman married all her possessions became the property of her husband. This position is now changed, and the property rights of a married woman are generally the same as those of anyone else."⁴

The change in the nature of the marriage contract as it relates to property is a fundamental shift in society's view of marriage itself. Once a matter of a contractual settlement of property rights, marriage has become a method of legalizing social relations between two separate individuals. Inherent in this legal relationship is the obligation of the husband to support his wife and any children of the union, as well as the married couple's joint responsibility for the care of the children. This change in the nature of the marriage in the legal sense is also reflected in the broadening of the grounds for divorce.

This secular view of marriage is, of course, only one side of the coin. Marriage, at least for the majority of people in Ontario, is also sanctified by a religious ceremony. And religious belief, rather than secular law, is often the more important factor in the relationship between married people. Religious affiliation and the degree to which the teachings of the religion are followed are, therefore, major social variables that must be considered in any discussion of the role of marriage in our society.

Census figures give a rather distorted view of religion in Ontario. While the overwhelm-

ing majority of people give a religious affiliation, the extent to which this has meaning is uncertain. It is hard to imagine, for example, that the Roman Catholic Church's position on contraception is followed faithfully when fertility rates in a predominantly Catholic Quebec decline as rapidly as they have in recent years.

Even more revealing, however, is a recent study carried out by the United Church of Canada which forecast that congregations could disappear entirely within 15 years. The Gallup Poll also reported that the answers to the question, "Did you yourself happen to go to Church (or Synagogue) in the past seven days?" showed that 67 per cent answered yes in 1946, 55 per cent in 1965, and 44 per cent in 1970.⁵

It is very difficult to measure the attachment people have to their religion. But the data on church attendance suggest that religion plays a much less important role than it once did. It is not surprising, therefore, that the divorce rate, even before the recent amendments to the federal law, started to rise in Ontario about 1960. With the change in the law, we can expect an acceleration of this trend.

Still another indication of changing attitudes towards the institution of marriage is the illegitimacy rate. Again the year 1960 appears to be a turning point, with a marked rise in illegitimate births in Ontario.

Mounting pressure for the further liberalization of abortion laws is still another indicator of changing attitudes. And, finally, the current spate of publicity accorded to the small, but vociferous, "Women's Liberation Movement", that attacks the institution of marriage as a form of male exploitation of women, is revealing.

All of this points in one direction. The institution of marriage has changed. Its legal base has been altered. Its religious base has been partially eroded, and it is doubtful that the process of change has stopped.

Data on single parent families for 1951 and

⁴ Ontario Women's Bureau, Department of Labour, "Law and the Woman in Ontario, 1970", page 7.

⁵ See John Kettle, "Footnotes on the Future". *Monetary Times*, August 1970.

1961 indicate a decline in the proportion of these families to total families. But the proportion of broken families headed by single persons remained virtually the same at slightly over 3 per cent. With an increase in divorces since 1961, and a rise in illegitimate births, we can expect an increase in the proportion of single parent families.

Despite the best efforts of Women's Lib, the biological facts of life dictate that women have children — not men. Whatever happens to marriage as an institution, the family remains. Or does it?

Rising fertility rates in the 1950's led to a marked increase in the number of children per family, from 1.4 in 1951 to 1.6 in 1961 and 1.7 in 1966. But once again, the year 1960 saw a change as fertility rates dropped and dropped rapidly, particularly for women over 30 years of age. The composition of families, in terms of number of children, can be expected to alter significantly in the next decade.

The decline in fertility rates has often been attributed to the introduction of "the pill". This is an overstatement. And it tends to distract attention from a fundamental change in attitude toward size of family and family planning, particularly among the young.

We cannot ignore the fundamental change that has taken place in our society with regard to the bearing and raising of children. This latter question, the attitudes towards the raising of children presents the final attack on the traditional view of the family.

The primary social function of the family in our society has been the production, care and upbringing of children. Childless couples were considered just that — couples, not a family. Hence the census concept of the "normal family" — wife, husband and children living together.

In this social framework, the school and the church provided essential services for secular and moral education, but the parents, by law and by custom, were responsible for the child's development as a person. And in practice this meant the mother.

This fundamental responsibility is being openly questioned today. The demand for

day-care facilities is one aspect of the changing attitudes about male and female roles in our society. The state is now being asked to provide institutional facilities for the care of children, and in some instances, infants.

The woman's role of homemaker and mother is under attack. And, the trend toward higher female participation rates in the labour force continues to erode the old conceptions about the division of responsibility within the family.

The real question is not whether women will obtain "equal rights" but what kind of family structure will emerge and how will this affect the central social function of the family in our society?

Changes in attitudes towards marriage as an institution, towards male and female roles within marriage, towards the number of children and the parents responsibility for their offspring represents a potential social revolution. But all of this is happening on the fringes of our society, and it is doubtful that the situation will stabilize during the next decade.

What we can look for, then, is further change within a society that has moved away from one set of values. Indeed, what may well be happening is that we are truly moving towards a period of "permanent revolution" based on more complete pluralism.

Urbanization

If the primary demographic fact of life in Ontario is population growth, its corollary is where that growth takes place.

The historical evidence is clear: population growth takes place in large urban centres and metropolitan areas.

Because of changes in definitions from one census to another, direct comparisons on urban and rural population changes cannot be made with accuracy. The situation is also complicated by annexations. Despite these technical problems, the general trend towards urbanization of the population cannot be denied.

According to the Economic Council of Canada, the trend towards urbanization will

continue in Ontario to 1980 when some 86 per cent of the population will live in urban centres. Of the 8,800,000 people living in Ontario at that time, 7,600,000 will live in centres of 1,000 or more population. Further, the Economic Council of Canada expects that the growth will be concentrated in metropolitan areas.

In 1966 a little over one half of Canada's total population lived in the 19 officially designated census metropolitan areas (cities and adjacent areas of 100,000 or more). Although Ontario had about 35.8 per cent of the total population, the seven census metropolitan areas in Ontario contained 38.6 per cent of the Canadian total. In addition, 13 of the 23 Canadian centres with a population of between 30,000 and 100,000 people were located in Ontario.

The Economic Council of Canada foresees a trend towards the concentration of population in the metropolitan census areas over the next ten years. Does it follow, however, that this same trend will be followed in Ontario?

Suburban growth around Canadian cities is not comparable to the United States. There, the out-movement of the white middle class was a "flight to the suburbs" — to get out of a city increasingly populated by blacks. In Canada, the move to the suburbs was simply the result of rapid population growth and the desire to obtain a single family dwelling.

Can we, therefore, anticipate a continued growth in metropolitan centres over the next decade? In the short-run, the answer must be yes, unless positive action is taken at senior government levels to redirect growth away from these centres.

There is, however, another factor at work, the high rate of growth of larger metropolitan areas is related to heavy immigration. The inflow of immigrants, under established federal policy, tends to be cumulative and concentrated. The availability of jobs, particularly in construction trades and secondary manufacturing, has been traditionally in larger urban centres. Immigrants, therefore, tend to come to these centres. Once they have arrived, they sponsor close relatives and bring

in others through nomination.

Starting with a small number, the process works through quickly as new sponsored or nominated immigrants arrive creating an ethnic community within the urban centre. The emergence of a stable ethnic community results in even more independent immigrants coming into the area, beginning a new cycle of sponsorship and nomination. As a result, the larger urban centre attracts a steadily rising number of new immigrants.

This same process, of course, works with the inter-provincial migrant. The significant difference is that the absence of a language barrier gives migrants more mobility. They can more readily move within the province and obtain jobs in smaller centres. The limited skills and educational levels of many migrants, on the other hand, forces them to stay in larger centres where a wider range of unskilled jobs are available.

The net result is that the larger urban centre tends to become the reception centre for a disproportionate number of migrants and immigrants.

None of this is particularly new or surprising. It does, however, point out that urban growth is particularly sensitive to population movements. Therefore trends in immigration will have a very marked effect on population growth in larger Ontario cities. If, as has been suggested, immigration policy is changed, and a marked slowdown in intake of immigrants results, this will have a significant impact on the future growth in metropolitan areas.

Any decline in population growth will be translated into a slowdown in construction and in construction employment. Changing trends in industrial location may well accelerate this downward cycle with the result that the larger centres will not attract the same proportion of people as in the past, and growth will tend to be concentrated in smaller and medium-sized cities.

This seems to be the pattern in the United States where urbanization of the population continues, but the urban growth is taking place in smaller-sized urban centres. It is particularly important to note that immigra-

tion into the United States is controlled at a relatively low level. Thus the major source of rapid urban growth for the larger cities in the United States, particularly in the late nineteenth century, is no longer a major factor.

Relative to the United States, Canadian cities, with the exception of Toronto and Montreal, are not large. There is good reason to expect that the metropolitan census areas outside of the two dominant cities can expand significantly before urban problems reach crisis proportion. In Ontario, therefore, we can expect continued growth of all cities.

The trend towards urbanization of the population until 1980 is operative in Ontario. The only question is whether this growth will take place in and around Metro Toronto, or whether it will occur in other metropolitan centres and major urban centres. The answer to this clearly lies with government policy.

Federal immigration policy can have a substantial impact on total population growth. Provincial policy, particularly with respect to industrial location and decentralization of the provincial administration, could have a very marked effect on population growth rates in Ontario urban areas. In the absence of a firm policy, however, it is difficult to see any substantial change away from the further concentration of population growth in Metro Toronto and the adjacent urban areas.

Trends in Rural Ontario

At the other end of the scale are the small towns, villages and rural areas of the province. Generally speaking, the centres of 10,000 or less population have shown stability in population in recent decades.

This relative stability in the smaller centres of Ontario is misleading. For many of the

villages and towns, the decline or limited increase in population has meant that the young people have moved away to the larger centres, leaving behind a population increasingly made up of young children and older people.

Of the 45 counties and districts included in the eight economic regions of southern Ontario, nine counties consistently had a net out-migration while 16 counties consistently had a net in-migration in the period from 1941 to 1966. Further, all of these 16 growth counties contained a metropolitan or major urban centre while none of the nine counties with a continuous net out-migration contained a major urban centre.

The pattern that emerges is quite clear. Predominately rural counties are losing population through migration. Counties containing larger urban centres are gaining population through migration.

Similar trends are taking place in Northern Ontario. Between 1941 and 1951 Northeastern Ontario had a declining population which was not offset by net migration into Sudbury and Sault Ste. Marie. From 1951 to 1961 the decline was checked with rapid growth in those two major urban centres. In 1961 Sudbury became a census metropolitan area. Since then, however, there has been a marked out-migration of population from all areas of Northeastern Ontario and this is expected to continue through to 1981. Population projections indicate strong growth in Sudbury and Algoma.

The data for Northwestern Ontario show a steady in-migration of population from 1941 to 1961 and then a reversal. Thunder Bay, however, is expected to be a growth centre and increase its population between 1966 and 1981.

The Economic Setting: The Labour Force

The twenty year period following 1951 has been marked by constant change. These two decades were crucial in the transformation of the society and the economy of Ontario. During this time the economy of the province completed its evolution to an industrial economy.

Economic development was accompanied by the urbanization of the population, the infusion of nearly one and a half million people of diverse cultures and value systems, and the emergence of new and sometimes unsettling concepts of economic, political and social organization.

One major change was the increase in the size of the labour force. In 1951, Ontario's labour force totalled 1,883,000 members. By 1961, the labour force had grown to 2,393,000, and by 1970 it reached almost 3,200,000. In two decades nearly one and a half million workers were added to the provincial labour force and about 60 per cent of these were immigrants.

The economic growth of the province has been predicated on the inflow of workers to Ontario's towns and cities, its factories and service establishments. Without workers from other nations, the low birth rates in the 1930's would have resulted in serious labour shortages and an aging labour force. This did not happen. Immigrants provided an ample supply of workers for the burgeoning industries of Ontario.

The influx of people contributed not only needed manpower to the economy, it also created instant demand for housing and goods and services of all kinds.

Charles Kindelberger, commenting on the post-war economic expansion of Western Europe, noted that the major source of growth was the availability of manpower: first, displaced Europeans, and later, workers from an underdeveloped Southern Europe.

The same was true for Ontario.

Adequate labour supply is only one factor of the growth equation. Combined with sufficient supplies of capital (domestic and imported) and extensive resources, all the ingredients for growth existed in Canada and Ontario.

Immigrants deepened and enriched the supply of skilled manpower. The occupational breakdown of immigrants was roughly comparable to the occupational mix of the total labour force. Between 1951 and 1969, for example, about 17 per cent of all immigrants entering the labour force were classified as managerial or professional, compared to 18 per cent for the total labour force. Data on the educational levels of post-war immigrants indicate that they had a marginally higher median level of educational attainment than native born members of the labour force.

The change in immigration policy in 1967, placing a higher premium on education and skill levels, will further improve the quality of future immigrants. This policy is a reflection of the growing maturity of the Canadian economy and the need for highly skilled workers. Through much of the post-war period industry needed workers capable of learning on the job with a minimum of formal training. Immigrants filled this need and, despite the size of the inflow and the language barriers, there were few problems of adjustment to the industrial system in Canada and Ontario.

Another source of industrial workers was migrants from small towns and rural areas in Ontario and other provinces. The vast bulk of the new industrial jobs opening up in the fifties and sixties were in the metropolitan and large urban centres. This process began in the war years as new industries sprang up or existing industries expanded to meet the needs of war production. The movement

to the cities in the war period opened the flood gates.

Contributing to the process was the mechanization and electrification of agriculture. The declining requirement for farm labour released thousands of workers. Agricultural employment in Ontario, standing at 270,000 in 1941, declined to less than 150,000 by 1969.

Employment in the industrial sector did not expand as a proportion to the total labour force. Between 1941 and 1961, the proportion of total employees in the industrial sector actually declined by about one percent. This does not alter the key importance of the expansion of the industrial sector as the catalyst of change.

The urbanization of the labour force generated a building boom. Urban life also led to the broadening and diversification of the range of services available. It was in the services that the major increase of employment took place. And the growth of the service sector was a reflection of the changing needs of an urban society.

Educational Levels and Employment

The transformation depended on the geographic and occupational mobility of the work force. And mobility, in turn, was a function of changing attitudes and educational levels. People no longer saw their future in terms of the past: the experiences of their parents were less and less a determinant of their future in the labour force.

A recent study (1967), prepared by the Bureau of Labour Statistics in the United States, estimates that the average worker can now expect to have at least 12 different jobs in his working lifetime. This compares with an average of three jobs for a worker living in 1900. Whereas, in the past, the occupation of an individual was to a large extent determined at birth, depending on where his parents lived and what social or economic status they held, occupational opportunities are now far more open.

The continuous obsolescence of jobs in a technologically advanced economy presents new and sometimes frightening consequences.

Few workers today can be sure that the skills they have will be relevant to future jobs. Technology places a premium on mobility, flexibility and adaptability. Given these circumstances it is not surprising that the role of education in our society is of crucial importance.

Much has been written about the importance of increased educational levels in technologically advanced economies. Some commentators, interpreting the findings of work done at the University of Chicago on the return on investment in human capital, have argued that education has been the prime source of economic growth. Hence the tendency to relate expenditures on education to rising national income.

A related trend has been the upgrading of educational requirements for specific jobs. Did the change in the job content require higher levels of educational attainment, or did the availability of people with higher education result in changing the job content? Peter Drucker, for one, argues that education came first. He points out that the broadening of education expanded the worker's ability to learn more skills faster. Education created the essential pre-condition for the introduction of more sophisticated technologies.

Others (Andrew Hacker for example) argue that many white collar occupations are assigned an educational requirement that has no connection with the job actually performed. He points out that the growth of white collar jobs is feather-bedding based on the compulsion of managers to build empires: a version of Parkinson's Law. Hacker's major point is that corporations have stressed productivity in production, but have proliferated employment in white collar occupations.

The essential point remains, however, that the increased levels of educational attainment have produced a very different labour force. The well-documented statistical relationship between educational levels, income, occupational and geographic mobility indicates the key importance of education to the emergence of the new labour force. And, if Drucker is correct in assuming that knowledge

is the foundation of skill, then education is necessary to equip the labour force with the capacity for adaption to changing circumstances.

Rising educational levels have profound social as well as economic effects. By raising the levels of educational attainment of a population, a society alters its expectations and its potential for social change. The increase in educational attainment levels is equally crucial to the achievement of technological, organizational and environmental change in the economic system. Whatever its contribution to the economic growth equation, education is a central requirement in a technologically sophisticated economy.

The lengthening of years of schooling, combined with demographic trends in the age and sex composition of the population, is reflected in participation rates by each population cohort in the labour force. In the mid-fifties, the increase in the number of people in the 15-19 age group was not keeping pace with the growth of the total population — a result of the low birth rates in the thirties and early forties. By 1961, however, this age group started to rise absolutely and proportionately. For the 20-24 age group, the relative decline in the number of persons continued through the period from 1951 to 1961. By 1966, however, the trend was reversed and this age group began to grow at a faster rate than the population as a whole. As a result of these demographic trends, there was a relative shortage in the number of people entering the labour force from domestic sources before 1966. This is a major reason for high levels of immigration, particularly in the 1950's and early 1960's.

The shortage of the number of native born workers in the 15-24 age group was augmented by the trend to increased schooling. Participation rates for the 15-19 age group declined steadily after 1951. This was true for both males and females. The participation rates for males in the 20-24 age group also fell between 1951 and 1966, though the rates for females remained virtually constant.

We can expect the continued decline in the participation rates for the 15-24 age group and for both sexes in the decade ahead. But the high birth rates prevailing throughout most of the 1950's will provide a growing supply of skilled manpower in the 1970's. This militates against the assumption that Ontario will be a recipient of large scale immigration in the 1970's. The domestic supply of workers may well prove to be adequate for the needs of our economy.

Any delay in the entry of young people in the 15-24 age group into the labour force will have a significant impact on the quality of the work force. The most recent data on educational levels of the Ontario labour force were compiled in a special labour force survey in 1965. Comparing the results with the 1960 survey, the shift in educational levels is readily apparent. The percentage of workers in the 20-24 age group with an elementary education or less declined from 23.1 per cent to 15.3 per cent between 1960 and 1965.

The survey of educational levels of the labour force were obtained before the introduction of the Colleges of Applied Arts and Technology and at the beginning of the rapid expansion of university facilities. These post-secondary institutions will have a marked impact on the quality of the future labour force.

The Working Woman

Another significant change has been the increase in female participation rates. Manpower shortages during the war had created a demand for female help in almost every occupation. And the flow of women, married and single, into the labour force marked the beginning of a social revolution. The status of women in our society has changed and the impact of that change is still reverberating throughout the economy and the society.

In 1951, the female participation rate stood at 26 per cent; in 1961 it reached 33 per cent; and by 1970 it had risen to about 40 per cent (comparable to the participation rates for females in the United States). The rise in female participation rates in Ontario was significantly faster than in other parts of Canada.

A special labour force study conducted by the Dominion Bureau of Statistics in 1967 points out some interesting conclusions.

Participation rates for females of all ages and marital status is a function of education. While single women have higher participation rates than married women, in all age groups, the educational factor is still operative. For example, 92 per cent of single women, 25-29 years of age, with high educational levels are in the labour force, compared to 66 per cent of single women with low education. This differential holds for all age groups.

Participation rates for married women are higher for the 40-54 age group than they are for the 25-39 age group. For married women and single women the highest participation rates occur in the 20-24 age group. After 55 years of age the rates fall off sharply.

Participation rates for single women are higher than the rates for either married women, widows and divorcees. The twin peak pattern for married women is related to family life in Ontario. In the 20-24 age group, participation rates for married women are relatively high and for single women they run up to over 80 per cent. This age group is also the key age group for marriages. Almost 60 per cent of the women in this age group are married.

In the 25-29 age group, over 80 per cent of all women are married. The age specific fertility rates for married women are highest for the 18-19 age group and then decline sharply for each successive age group. The important factor here is that births tend to occur early in the marriage.

The pattern is fairly well established: participation rates for 15-19 year old women are relatively low. If married, there is a high probability that the women will be bearing children. In the 20-24 age group both married and single women are at peak participation rates, and large numbers of single women are marrying. By the time women are in the 25-29 age group, the majority are married, raising children and the participation rates for married women are substantially lower.

Whether or not the married women return to the labour force is related to educational

levels. Married women with low education tend to have larger families spread out over a longer time. Participation rates for women with limited education for all age groups are lower than those for married women with higher educational levels.

The popular conception of the wife and mother of the low income family out at work to help support the family is not born out by the figures. First of all, in 1961, less than half the women who worked were married women living with their husbands and, of these, about half had no children under sixteen. Participation rates for women over 25 years of age have increased since 1961, but the largest increases occurred in the 45 year or older group, with smaller increases in the 25-44 age groups. On balance, the trend towards more married women in the labour force does not necessarily mean that proportionately more had children under sixteen.

The importance of educational levels suggests another important variable that has not been studied by Canadian researchers. Because educational levels are directly related to incomes and social class, it may well be that the growth of married women in the labour force is a function of social class, and more particularly a function of lower middle class life styles.

"The labour-force participation rates of wives, therefore, are highest where the husbands' incomes do not represent poverty levels, but rather the lower range of middle income levels. The rate then declines as the husbands' incomes reach higher levels."¹

At the bottom end of the income ladder, there is a relatively high rate of labour force participation by women living with their husbands and with younger children. But the rate for this group is still at or below the rates for lower middle income families.

The essential value of the middle class is the acquisition of material goods — the ownership of a home, household amenities and other status symbols. This is typically an aspiration of immigrants to Ontario. It is,

¹ U.S. Department of Labour, "1965 Handbook on Women Workers".

therefore, not surprising that labour force participation rates for post-war immigrant women are substantially higher than the rates for native born women in all age and marital status groups.

To a certain extent the sharp rise in female labour force participation rates is related to growing private affluence and the desire of families to obtain material goods. The changes taking place are rooted not in economic but in social factors. And it is interesting to note that the current controversy about the women's position in society is an upper-middle class phenomenon that relates to women's roles and not to family incomes.

The Working Man

For males, participation in the labour force is concentrated in the age group from 25-60. Participation rates for males is highest in the 25-44 age group and then drops off with age. The typical pattern for men is to be engaged in employment between the ages of 25 and 60.

The relative stability of the male participation rates in the labour force is deceiving. The years between 25 and retirement are crucial because of the family obligations for the majority of working men. These are the years when the family is established, the home bought, material possessions acquired, the problems of raising children faced. It is the time when neighbourhood roots are put down and a life style established.

In an economy marked by continuous change, stability is a myth of an earlier age. For the upwardly mobile, the dislocations in work in place of residence and in style of life is a manifestation of getting ahead, the benchmarks of a career. But for many thousands of others, an enforced change in occupation or place of residence is a traumatic experience.

In a society that views change as progress, the plight of the worker in his middle years — faced with the necessity to change his job, his neighbourhood, his friends, his way of life — is virtually ignored. The psychic scars are discounted. The effect on the possibility of stable community life forgotten. Only when large groups of workers or whole communities

are affected by a natural disaster or the closing of a major industry are we even aware of the costs involved, at the human level, of changes in industrial location and development.

It is not surprising that the problems of change are usually seen in the context of regional disparities. We are conscious of the problems faced by individuals or groups in low income areas. These problems may be associated with the deterioration of resources, changing technology, the decline of a traditional industry, or a combination of factors. We are aware of the difficulties involved in generating adequate incomes for groups of people caught in these circumstances. We have developed programs for subsidizing industries or encouraging the migration of people. But we fail to see the problems of adjustment to changing conditions, apparent when put in the context of whole regions or industries, at the individual level in our outwardly prosperous urban centres. Yet these problems exist. And they exist for those people least able to adjust because of their emotional commitments to the past.

It is not by chance that the majority of the migrants from the rural areas of Ontario or from other provinces are younger people. They do not have the roots in their communities that their parents have. They have not tied up their life savings in a home or a farm that, because of the depressed conditions of the community, they cannot sell. They do not have children in school. They are, therefore, far more mobile than middle aged people.

Far too little attention has been paid to the very real problems of the age groups that comprise the bulk of our labour force. Unless high levels of unemployment exist, we assume that there are no problems. This attitude ignores the impact of change on individual human beings. Because they are not on the welfare roles we can conveniently assume that they are looking after themselves. And from the narrow point of view of their ability to work and earn an income, they have no problems that are yet recognized by society.

In the early 1960's, the debate over the existence of a relatively high and persistent level of unemployment centered on two schools of thought. One side were the economists who attributed high unemployment to inadequate demand in the economy. They argued that the application of appropriate fiscal and monetary policy would get the economy rolling again and the unemployment rate would decline. Another group argued that the unemployment level was a function of the structural dislocation of the economy — and technological change (automation) in particular.

The evidence of the sixties vindicated the demand school. But our success in generating high rates of growth should not blind us to the reality of the structural changes that took place, and the impact of these changes on large numbers of workers. If we succeeded in transforming the economy from a predominantly goods producing to a predominantly service producing economy, we cannot afford to ignore the impact on the labour force. For many thousands of workers it meant the radical change in their jobs, and the future suggests even more drastic changes.

How fast these projected changes take place is a matter of argument. But there is no argument that the technological changes now taking place in all sectors of the economy are changing the content of jobs, destroying jobs, and creating new jobs. For the vast majority of the labour force, those now over 25 years of age, the future is fraught with uncertainty. The implications to the retraining of the labour force, either in formal or informal systems, is a reality that must be taken into account in the future development of the economy.

The Problems of the Older Worker

If the problems of the 25 to 60 age group in the labour force are emerging with the changes in the pattern of economic development and industrial location, the problems faced by the older worker are even more severe.

There has been a marked trend towards decreased participation rates in the 60-64 age

group. In 1951, for example, 84 per cent of males and 15 per cent of females in this age group were in the labour force. By 1961 these percentages had changed to 75 for males and 24 for females. Though the numbers of females had increased substantially, the drop in male participation rates reflected the trend to early retirements.

For the age group 65 years of age and over, there has been a steady decline in participation rates from 4.8 per cent in 1951 to 2.8 per cent in 1969.

Early retirement is becoming a common pattern in industry. There are several factors at work. The pressure on older workers comes from increased technological sophistication. Many firms, particularly those with seniority clauses in union contracts, use early retirement as a device to gain flexibility in promotion of younger, better trained men. The growth of private pension plans facilitates this move. Early retirement is also used in preference to lay-offs as a device to reduce manpower surpluses caused by the use of more advanced equipment.

The real problems of the aged stem not from their inability to obtain employment, but rather that they do not have sufficient income to maintain their standard of living after retirement. Through the introduction of the Canada Pension Plan, the growth of private pension plans, and the provision of portability in private plans have been beneficial to workers' mobility by assuring the continuity of pension contributions, the level of income at retirement is all too often too low.

The plight of the older worker and the retired worker has been materially improved in the past two decades. Universal state run schemes cover almost everyone in one form or another. Most private employers provide some type of approved pension plan. But for many thousands, these reforms came too late. They are retired with inadequate incomes. And we cannot ignore the growth of the population aged 60 and over in the next decade. This group will increase faster than the population as a whole.

The problems of the older worker will be

increased by the trend towards early retirement. It is difficult to generalize on the impact of early retirement in our economy because there are no adequate statistics. One of the problems is that older workers can and do find employment after retirement. Many thousands of self-employed, farmers and proprietors of small businesses do not retire automatically at age 60 or 65. They work at their job as long as their health remains good. Formal retirement is a factor primarily in the larger incorporated business.

The shift in employment from the goods to the service sector will also contribute to the possibility for the creation of rewarding employment opportunities for older workers. It is an oversimplification of the real situation to talk about the trend to early retirement in the sense that everyone over a certain age, whether 60, 65 or 70, leaves the labour force. Their participation may be sporadic, but the older worker is still a valuable manpower resource that can be used productively in the economy.

Labour Force Growth

The demographic trends in the Ontario population, combined with changing participation rates for males and females, determine the growth of the labour force over the next ten years. The basic facts are:

1. High birth rates in the fifties will result in a substantial increase in the number of native-born Canadians entering the labour force in the 1970's.
2. Immigration will probably provide a smaller proportion of the total increase in the labour force in the 1970's than it did in the fifties or sixties.
3. The trend toward longer education simply delays the entry of the native-born, but will not affect total long-run growth.
4. Net internal migration will continue to add to the growth of Ontario's labour force.
5. Female participation rates will stabilize as the total participation rate

moves up to about 42 per cent. This is in line with anticipated trends in the United States.

6. Male participation rates will continue to decline marginally, as a result of changes at both ends of the labour force age-group spectrum.

The probable net result of these factors will result in a slow-down in the rate of growth in the labour force through the seventies from the rates experienced in the 1960's.

Between 1951 and 1961, the total labour force rose by 26.9 per cent or at an annual rate of about 2.5 per cent. The increase in female participation rates outpaced the increase in males, contributing about one half of the total increase in the labour force.

Between 1961 and 1971, the labour force grew by some 35 per cent, the equivalent of an annual rate of slightly more than 3 per cent. Between 1971 and 1980, the labour force growth should decline somewhat, with an expected increase of 22.7 per cent (2.5 per cent per year). This will be much higher than the anticipated rate of increase in the population as a whole.

The difference between population growth and labour force growth is related to the changing composition of Ontario's population. The high proportion of the total population in the 15-24 age group assures the heavy inflow of people into the labour force over the next ten years.

The 25-34 age group will be by far the largest group in the labour force by 1980, a marked change from 1971. Since we can assume a continuation of the trend towards increased education the 1980 labour force will be younger, better educated and more mobile. We can expect, therefore, greater flexibility in the labour supply in terms of both occupational and geographical mobility.

The flexibility and skill levels of the 1980 labour force may also reduce unemployment resulting from structural change. Unemployment in Ontario has traditionally been a function of cyclical, seasonal and structural factors. Seasonal unemployment particularly in the primary and construction industries, is less important today than it was 20 years ago

as a result of technological change. The anticipated improvements in technology should continue to reduce this aspect of the unemployment picture.

Cyclical changes dominate the rates of total unemployment. From 1951 to date the periods of high unemployment have been directly related to changes in final demand. The tendency of unemployment levels to lag, particularly in the early stages of cyclical upswing, is a reflection of structural problems. The improvements on labour force quality should also reduce this factor.

The question remains, however, whether the economy can grow at a sufficient rate to absorb the increase in the labour force.

Organized Labour

In terms of the percentage of non-agricultural paid workers in Canada, the union movement has not demonstrated significant growth over the past 20 years.

Union membership has grown at about the same rate as total employment. There was some growth between 1951 and 1958, with union membership rising from 28.4 per cent of non-agricultural paid employees to 34.2 per cent. From 1958 to 1969, however, union membership slipped back to 32.5 per cent.

The same pattern held for Ontario, although there has been a trend towards unionization, particularly as a result of the growth of durable manufacturing industries. In 1967, for example, Ontario accounted for 36.8 per cent of the total Canadian labour force, and 39 per cent of total union membership.

The major organizational push in Canada came in the war and post-war years. Since then there has been a steady, but unspectacular growth. The usual explanation for the failure of labour unions to grow is the transformation of the structure of the economy and the expansion of the service sector. One popular myth is that the unions were successful only with blue collar workers but could not organize white collar workers.

The presence of large firms in the service sector, with the notable exception of retail trade, is conducive to organization by labour

unions. And in the non-commercial sector, unionism is a growing fact of life for government and quasi-public corporations and agencies.

Within individual industries, however, there are differences according to occupation. Office and clerical employees are more likely to join a union than are sales, technical and professional employees. In the longer term, given the pressures on existing unions from loss of membership as a result of mechanization, and given the changes in the perceived status of office, clerical and sales personnel as a result of the introduction of new technological and business practices, the opportunity for extensive membership exists and will probably be exploited. Much will depend on prevailing public policy and labour legislation.

There is another set of factors at work in the union movement. Among these are the growing unrest of the rank and file with union leadership, the current anti-Americanism that is already spilling over into antagonism with the "International Union", and the still unresolved hostility between the craft based and industrial unions. Inter-union strife at the organizational and operational levels is still a factor in the inability of unions to expand membership. Finally, the whole process of collective bargaining is in question today as a result of inadequate handling of strikes in the public sector and the popular view that increases in labour income are a fundamental cause of inflation.

The indirect result of unionism and the collective bargaining process is the strike and lockout. Between 1951 and 1965, despite the growth of organized labour, strikes and lockouts resulted in the loss of more than two million man-days in only four years, 1952, 1958, 1959 and 1965. Union membership increased by some 500 000 in this period, yet the average of man-days lost did not show any upward trend. Since 1965, however, the picture has changed rapidly, with more than five million man-days lost in 1966 and 1968 and 7.7 million man-days lost in 1969.

There is no single cause. In part it is a response to the inflationary trends in the economy. In part it is a result of growing

union militancy, particularly within the membership. In part it is the failure of both management and labour to bargain effectively. In part it is the inadequacies of the present legislation governing collective bargaining. What weights should be attached to each of these factors is a matter of choice. One thing that is clear, however, is that the basic legislation and policy creates the climate within which collective bargaining takes place and there is need for reform.

Occupational Patterns

Trends in the size, age and sex composition of the labour force as well as changes in union membership and the process of collective bargaining will depend to a large extent on the development in occupational patterns in the Ontario labour force.

One way of examining trends in occupations is simply to look at census data. Another method is to examine changes in job families and job content levels. This approach relates the actual work performed to educational levels and incomes. Data on job families were developed by the Dominion Bureau of Statistics for Canada and by the Department of Treasury and Economics for Ontario. The Canadian data are particularly useful because they include information on incomes.

The concept of job families and job content gets away from the limitations imposed by classification by occupations or industrial breakdowns. Job families are defined by the material equipment or function about which the jobs are centred. Thus one job family for "vehicle operators" includes all persons operating vehicles — truck drivers as well as fork-lift operators. It is obvious that the job family concepts cuts across occupational classifications as well as industrial classifications. Some 18 job families have been isolated in the Canadian and Ontario economies.

In addition to the functional classification of jobs by families, each family can be broken down into content levels. The content levels refer to the degree of complexity within each job family and, therefore, the level of skill or educational attainment needed. For example,

in the "education" job family all the jobs are classified at job content level I. In "tools non-specialized", the majority of jobs fall in job content levels III and V. The five levels (I, II, III, IV and V) refer to the descending degree of complexity and the declining requirements for skill and educational levels.

Two trends are at work that affect the distribution of the labour force within the job families and job content levels. The first of these is the shift from primary and secondary industries to the service industries. Even within the primary and secondary industries, shifts between production and related workers and office staff have accelerated these trends. It is not surprising, therefore, that the "tools specialized" and "non-specialized", "machines non-specialized" and "farm" job families have all declined as a proportion of total employment. These trends are expected to continue to 1980.

The trend in employment for "machines specialized" is expected to remain constant as a share of total labour force and "vehicle operation" and "inspection" will increase. All other job families are expected to rise as proportions of the total labour force, led by "administration and organization", "sales (knowledge required)", "research and design", "personal service" and "education". These trends correspond to the anticipated changes in total employment by industry in the economy.

The second trend is the shift in job content levels in each job family. Here the evidence is conclusive: each job family will require higher levels of skill and education as the content level shifts upward.

Between 1941 and 1961, the job content levels have demonstrated a substantial upwards movement. In almost every job family, with the major exception of personal services, the gains in total employment have occurred in the higher job content levels in each family.

It is not surprising that there is a close connection between job content level and median years of schooling. This relationship does not hold in every case. But as you move up the ladder the relationship between content level and median years of schooling

holds.

One factor should be noted. In almost every instance, in job families and in job levels in each family, women tend to have higher educational levels but receive lower incomes. This applies even in those job families where women represent a substantial proportion of total employment. There is a serious discrepancy between median incomes paid to males and females in every sector of

the economy without regard to educational level or job content level.

Yet another factor in the changes in female employment is that female employment has increased substantially at the lower job content levels. And this despite equal or better educational backgrounds and the proportional decline in employment at these job content levels.

Chapter 4

The Economic Setting: The Process of Production

"The striking fact is that although Canada is becoming an increasingly industrialized nation — with an enormous expansion and diversification in industrial activity — the share of the industrial sector of the Canadian economy (comprising manufacturing, construction and the utilities) has not grown in terms of employment, and not a great deal in terms of value of production."¹

The period from 1951 to the present has been the most critical period of Canada's economic history. The long-term trends noted by the Economic Council of Canada (shrinkage of the share of total production and employment in the primary sector, relative stability in the share of value of production and employment in the industrial sector, and substantial increases in the share of production and employment in the service sector) came to fruition in the fifties and sixties. And these long-term trends were most apparent in Ontario.

One convenient way of looking at the transition that has occurred in the economic structure is to examine the percentage distribution of employment by industry. In 1951, the primary industries in Ontario

(agriculture, forestry, fishing and mining) accounted for about 14 per cent of the labour force. The industrial sector (manufacturing, construction and utilities) employed about 41 per cent of the labour force. These two sectors together, the goods industries, accounted for about 55 per cent of total employment.

By 1970, the goods industries had slipped back in terms of their share of total employment to about 43 per cent. The most marked decline was in the resource industries, particularly in agriculture. But even in the industrial sector, despite the upsurge in production and employment in manufacturing following the signing of the auto pact, its share of total employment had declined between 1951 and 1970.

On the other hand, the service sector was constantly increasing its share of employment throughout the whole period. By 1970, the services employed about 57 per cent of all workers, compared to 44 per cent in 1951. The upward trend in employment was a factor in all of the service industries with the exception of transportation, storage and communications.

The transformation in the employment picture was the result of a long-term trend in the economy and reflects the process of development. What is crucial in the period

¹ Economic Council of Canada. "Fifth Annual review, 1968", page 65.

between 1951 and the present is that the process accelerated. This is the essential feature of the past two decades.

Prior to 1951, the majority of workers were employed in the production of goods. At some point in the 1950's the service sector emerged as the primary source of employment for Ontario workers. And since then, the service sector has continued to grow both in terms of employment and in terms of value of production at a faster rate than the goods sector.

This same transition can be seen by looking at the contribution to Canada's real domestic product by various sectors of the economy. In 1949 the goods producing industries accounted for about 53 per cent of total real domestic product. By 1961, their share of total real domestic product had declined to 44 per cent. In the same period the contribution of the service industries had increased from 47 per cent to 56 per cent.

Agriculture's share of total real domestic product declined by approximately five per cent between 1949 and 1961. Although this accounts for more than half of the total drop, other goods industries also declined in terms of their share of production. Manufacturing, for example, declined by more than two per cent between 1949 and 1961.

Though we can expect an increase in the manufacturing sector as a percentage of total real domestic product as a result of the substantial improvement in the output in the motor vehicle and related industries, this is a transitional phenomenon. The period between 1965 and 1969 was unique because of the special conditions created by the auto pact. By 1969, this transition had been completed and the motor vehicle industry was settling into a new phase. Continued growth in the industry is now predicated on the consumer demand for automobiles in the North American market. Production in Canada has become oriented to this market, and the special conditions of growth no longer exist.

The emergence of the service industries is a by-product of the urbanization of the population. An urban population demands a wider range of services than does a rural

population. Urbanization is, therefore, one factor in the increase in the employment and production in the public administration sector as well as the other service industries.

The growth of the service industries is, moreover, related to rising affluence. More people with more money to spend has generated a bewildering variety of services to meet the proliferation of demand. Changing attitudes, changing life styles, changing patterns of shopping, changing interests and values, all of these have contributed to the alteration of traditional business forms and the services offered to the consumer. The service industries have shown all the attributes of growth industries, spectacular growth, high rates of business failures, diversification of product and change in size and form of organization.

It would be wrong to assume that the growth of the service sector was the only source of change in the production process. Every sector of the economy was affected by the forces that were working through the whole economy over the past two decades. And to appreciate these developments each sector should be looked at separately.

Agriculture

The data on value of agricultural production and gross farm income in Ontario show a steady decline from 1951 to 1955 and then a reversal of the trend with small but steady gains in total output and in gross incomes from 1956 to 1969. Total net farm income, on the other hand, has been far more unstable. It should be remembered, however, that the increases in production and gross income have been accomplished with declining employment.

The agricultural sector of Ontario has been transformed by several related trends. The drop in the number of farms between 1951 and 1966 (some 40,000 farms) has also led to a reduction in total acreage of land under cultivation. At the same time, the average size of the census farm (farms with sales over \$50) has increased from 139 acres in 1951 to 162 acres in 1966, and average capital value has increased from \$17,000 in 1951 to \$44,000

in 1966. Although Ontario farmers increased their investment in buildings, machinery and equipment during this period the total increase in capital value was mainly attributable to the rise in the value of land.

The major change, however, was the emergence of the large scale commercial farm in Ontario. In 1951, for example, 8,374 farms sold agricultural products valued at over \$10,000. This was only 5.5 per cent of total census farms. In 1966, 29,332 or 26.6 per cent of total census farms, sold products valued at \$10 000 or more. Commercial farms represented 48.7 per cent of all farms in 1951 and 64.3 per cent in 1966. The majority of the commercial farms were specialized operations.

Specialization, improved technology, better management, high capitalization, limited use of labour — all of these trends were at work within the agricultural industry. The transformation of agriculture has not, however, changed the basic structure of the industry. Over three-quarters of the census farms in 1966 were owner-occupied while another 17 per cent were part owner-part tenant.

Forestry

The significant trend in forestry has been the rapid growth of productivity. Production has increased substantially while employment declined.

Production of primary forest products in Ontario declined between 1951 and 1958 rose and fell again by 1961 and then moved ahead again reaching a new peak in 1967. Employment in the logging industry was, however, declining.

The major source of growth in the forest industry in Ontario was the production of pulpwood. Pulpwood represented almost 80 per cent of the total value of shipments for Ontario's logging industry in 1967. Logs and bolts accounted for an additional 14 per cent of shipments. Forestry in Ontario is dominated by the pulp and paper industry and trends in that industry determine, to a large extent, the level of activity.

As was pointed out in a 1970 Ontario Economic Council report on forest policy,

from a raw materials standpoint, there is scope for large scale expansion of the forest industry in Ontario. The potential for expansion, however, is limited by world demand for forest products, particularly pulp and paper, costs of production, and competition from other Canadian and world forest industries.

Mining

Total output in the Canadian mining industry has shown strong and sustained growth between 1951 and 1968. But the increases in output have been achieved with no comparable increase in employment. Mining has been a leader in productivity gains in the economy.

Mineral production in Ontario has traditionally been dominated by metals. There have been fluctuations in production from year to year as strikes have closed down major producers, and there have been changes in the relative importance of various metals (gold and uranium, for example), but on the whole there has been a steady growth pattern. The key metals have been nickel and copper, with iron ore becoming increasingly important.

Non-metallics have never been of major importance in terms of total output, but have shown relatively steady growth. Structural materials have also demonstrated a strong growth trend, reflecting activity in the construction industry. Fuels, a major item in Canadian mining and exports, have been, to date, of limited significance to the Ontario mining picture.

Manufacturing

Canadian manufacturing has traditionally been oriented to the domestic market. Entrenched behind a protective tariff, it has grown and diversified as the domestic market has expanded. With the exception of industries which compete in world markets, notably pulp and paper and fabricated materials, the manufacturing industries developed in a hot-house environment.

There is nothing unique in this pattern. Almost all industrial nations have used tariffs as an instrument of national economic policy.

There are, however, special circumstances that have led to serious problems in Canadian manufacturing.

The overwhelming influence of the United States mass market has led Canadians to demand a range of products similar to those available in that country. This has led to the creation of an industrial base in Canada that mirrors the United States but without the market size.

After the sustained growth in the early 1950's, with the exception of the short recession in 1954, manufacturing production stabilized through 1957 and 1958 before turning up in the 1959-1969 period. The period from 1957 to 1961 was one of adjustment in which heavy stress was placed on improving productivity.

The sudden surge upwards after 1961 can be partially attributed to the devaluation of the Canadian dollar. This stimulated import replacement and led many manufacturers to explore export markets. The abrupt change in terms of trade sent a seismic shock through the industry. The result was a new conception of Canadian manufacturing potential in a competitive world.

Another event had a profound effect — the British application to join the Common Market. The initial response was fear over the loss of preferences. The secondary response was the realization that Europe was an enormous potential market for Canadian-made products.

By the time these two shock waves had worked their way through industry, another, and even more important event took place — the auto pact with the United States. Spurred by another favourable adjustment in terms of trade, industrial expansion in the motor vehicle and related industries moved into high gear.

The manufacture of durable goods had grown very slowly from 1951 to 1961, while non-durable had shown strength. In 1949, for example, durable manufacturing represented 12.6 per cent of total real domestic product. In 1961, this had declined to 11.1 per cent, reflecting the relative decline in the goods sector.

Since 1961, however, durable manufacturing real output has risen by 88.7 per cent compared to a rise in the non-durables of 52.0 per cent. The major source of strength in the durables was in motor vehicles manufacturing, which increased real output by 269.2 per cent in just 8 years. The influence of this growth can be appreciated when it is noted that the motor vehicles industry receives substantial shares of the output of six of the other seven leading growth industries in Canada.

This unprecedented expansion of the manufacturing industries had an enormous impact on Ontario.

In output terms, manufacturing accounted for over 68 per cent of the total net value of production in all goods industries in Ontario in the early 1950's. This proportion had declined to about 66 per cent by 1960, but rose to 71 per cent in 1967. Ontario's share of total Canadian value added in manufacturing also rose from 50 per cent in 1960 to 53 per cent in 1967.

Nor was this growth limited to a few manufacturing centres in the province. Almost every centre in Ontario benefitted.

Field and Kerr, in a study of industrial location from 1956 to 1965, noted the trend for industrial plants to locate in or near the Toronto market, in the counties of York, Halton, Peel and Ontario. Following the signing of the auto pact, this trend towards industrial concentration was broken as 65 per cent of the new plants located in other areas.

There has been a noticeable spread of manufacturing, particularly durable goods, into smaller cities and towns in Ontario. While Metro Toronto and the adjacent counties continue to dominate, the growth of manufacturing employment in Southwestern Ontario and, to a lesser extent, Eastern Ontario has changed the picture in industrial location, output and employment opportunities in these regions.

It is important to remember that growth and diversification of employment and output in manufacturing took place in the special circumstances of devaluation and the auto pact.

We seem now to have moved full circle.

The Canadian dollar has been revalued upwards. Imports of goods — particularly motor vehicles, textiles, chemicals and appliances — have cut into domestic sales. The United States government's new economic policy will have serious effects on Canadian manufacturing industries. The terms of trade have turned against Canada.

It is obvious that Canadian and Ontario manufacturing concerns will once again be forced to stress productivity to achieve a competitive edge. We can, therefore, expect any increase in output will not be paralleled by increased employment. The rise in manufacturing employment as a proportion of total employment will be checked and we will move back to the long-term trend toward a relative shift of employment out of manufacturing to services.

Construction

The other major industry in the industrial sector of our economy is construction. This industry accounted for over 6 per cent of total employment in Ontario in 1969 and represented about 14 per cent of total value added of all goods industries.

Indices for employment and output can be developed for Ontario using data available from the Dominion Bureau of Statistics. These indices show that the output in the construction industry in Ontario rose rapidly from 1951 to 1958 fell off from 1958 to 1961 and then moved up again between 1961 and 1969. Employment declined from 1951 to 1961 and then rose again to a new peak in 1968.

On the whole, growth in residential construction in Ontario has run ahead of non-residential construction. Over the whole period, however, non-residential construction accounted for 68 per cent of total volume of output.

In the short-run, high rates of residential construction stabilize total output when non-residential construction declines. This was the case in 1957-58, 1962-63, and 1967-69. In these periods residential construction can account for as much as 40 per cent of total output in the industry.

Construction responds to changes in final demand in the economy. In the non-residential sector, the total volume of construction is obviously a function of investment which, in turn, responds to profit levels, interest rates and future expectations. Hence volume of construction is highly volatile, as is amply illustrated by data on investment intentions, building permits and contracts awarded, all subject to sharp year to year changes.

Industrial (primarily manufacturing and related industries) construction, in value terms, has fluctuated widely. As a proportion of total non-residential construction it has varied from a high 21.2 per cent in 1952 to a low of 10.0 per cent in 1958-1961. More recently, industrial construction accounted for 18 per cent of total non-residential construction in 1966, but fell off to 13.1 per cent in 1969.

Commercial construction has demonstrated more stability. In 1952 it accounted for 14.8 per cent of total non-residential construction. This proportion rose to 18.9 per cent in 1961; stayed at this level through to 1966; and then declined slightly to 16.3 per cent in 1969. On the whole, commercial construction moves with total non-residential construction activity. The relative decline since 1966 is a reflection of the high interest rates prevailing in an inflationary situation.

One of the major sources of growth in non-residential construction has been the institutional sector. Growth is related primarily to educational and hospital construction. Projections of the school age population indicate a marked slow-down in elementary school construction and an easing of pressures on secondary schools. Large scale building at the post-secondary level has been undertaken in anticipation of future growth, and the facilities have been built. Future construction will be related to growth in enrollment which will be spread more evenly over the next decade.

The serious shortage of hospital beds that emerged in the mid-60's has been to a large extent met by a large scale construction program.

On the engineering side, public investment

is the crucial factor. Public spending of roads and airports, water and sewage works and electric power dominate total engineering construction. In 1969, for example, these three sectors accounted for 57 per cent of engineering construction, 33 per cent of total non-residential construction, and 22 per cent of total construction. It would appear, at first glance, that the predominance of public investment in engineering construction gives the province considerable leverage to influence the level of activity in the construction industry and hence the economy as a whole.

This is not the case.

First, despite the predominance of the government in funding engineering construction, the total volume of construction in engineering works parallels cyclical movements in the economy. There is no evidence of sustained counter-cyclical investment by public authorities.

Second, the demand for engineering construction, as with non-residential construction, is a reflection of total demand in the economy. The idea of a shelf of public works projects that could be brought out as a counter-cyclical fiscal device has not been used. Road, electric power and water and sewage works have been dovetailed with other construction activity.

Third, construction is not a major employer, accounting for only 6 per cent of total employment.

Residential construction

Housing demand is determined by a complex set of demographic, social and economic variables.

From a demographic point of view the essential factor is the growth in household formations. This is influenced by net family formations, undoubling of households and non-family household formations. Net migration to the province and movements of individuals and families within the province also influence total demand.

Basic demographic trends and urbanization have a direct bearing on housing demand in Ontario. And it should be stressed that the social variables — attitudes towards marriage

and the family — will have an impact on the nature of housing demand in the seventies.

On the economic side are the essential factors of income levels, housing costs, location, availability of mortgage funds, interest rates, and public housing policy.

A final set of factors include the need to provide an adequate vacancy rate to permit the necessary mobility of the population and the replacement demand arising from accidental loss through fire or other disasters, farm abandonment and removals in urban centres as a result of construction of non-residential structures or slum clearance.

What, then are the trends in Ontario?

All of the social, demographic and economic variables noted above are related to the changes in the composition, patterns of tenure, and location of housing built in Ontario since 1951.

The census data reveals the shift in composition of the housing stock that started in the 1960's. Prior to 1961, the Ontario pattern of owner-occupancy of a single family dwelling was dominant with about 70 per cent of all dwellings occupied by their owners and 70 per cent of all dwellings single detached houses. After 1961, the picture started to change, and change rapidly.

In the early 50's, single family dwellings dominated housing starts. In 1955, for example, this type of housing accounted for over 80 per cent of all starts. By 1959, this figure had dropped to 64 per cent and by 1968, to 37 per cent.

The change in the composition of housing starts is a reflection of the housing problems of the census metropolitan areas in Ontario. Rapid population growth of these areas, primarily as a result of net migration, placed unprecedented demands on the housing industry. Spiralling land costs led inevitably to changes in the type of dwellings constructed. But cost was not the only factor. Changes in preferences, in household size, in composition of households were also important. A predominant trend toward multiple family dwellings, both row and apartment houses, emerged in all census metropolitan areas after 1960.

Even if the rate of population growth slows down, the age structure of the population in the 1970's will result in a sharp rise in marriages and family formations. We will have about 2,200,000 households in Ontario by 1971 and 2,700,000 households by 1981. This represents an increase of some 600,000 new housing units that will have to be built in the next ten years simply to accommodate an increased population. Total construction of new housing in Ontario in the 1970's may amount to 1,000,000 units.

The question is where and what type?

Public policy could not only reduce the total growth of population by restricting immigration, but could also redistribute the population in Ontario so that the pressure on housing is reduced in the metro areas, particularly Toronto, and shifted to other urban centres. In this case, apartments will become a smaller proportion of new construction.

Beyond this is the possibility of radical changes in the construction industry itself.

One of the anomalies of industrialization is that construction has probably changed least in terms of technology and building materials. The pressures of rising labour costs may well force changes in the industry. Industrial built housing is now a fact in the United States and European countries. It may well become a major factor in the housing industry in Ontario within a very few years.

The key question, however, is the housing policy of the federal and provincial governments.

Utilities

The utilities industry (electric power, gas and water) is predominantly a public operation in Ontario, with the exception of gas distribution companies. Output in the industry responds to final demand in the economy and to population growth. It is, therefore, not surprising to note that the industry has shown sustained growth throughout the whole 1951-1969 period.

The striking fact in the utilities has been the relative stability in total employment despite the growth in output. Although the

utilities are essential to economic growth, they are not major employers. Therefore, future growth in these highly capitalized industries will not create employment opportunities.

Another disturbing feature of the utilities is that rising costs of production have to be passed on in the economy. There is no way of avoiding rising costs in this sector by the substitution of cheaper inputs. Although they have demonstrated remarkable gains in labour productivity, rising labour costs, particularly in construction where productivity has not been keeping pace with labour costs, will affect the industry.

Transportation, Storage and Communications

The transportation, storage and communications industries occupy a central position in any economy, but are particularly important in the Canadian context. With a population concentrated in urban centres spread across the southern fringe of the northern half of the continent, transportation and communications are the links that tie together an economic and political system into a single national whole.

Much of Canada's history revolves around the political and economic struggles to forge ties among a relatively scattered population. These links — the railways, pipelines, roads, air routes, telephone lines, micro-wave systems — form the sinews of our national economic and social life.

It is not surprising that transportation and communication and, to a lesser extent, storage are intimately intertwined with the public sector. Public policy is crucial. Our transportation system was built as a result of a political decision, and our communications system is no less sensitive to the public evaluation of national requirements.

The industry has shown a remarkable productivity record, compared with the rest of the service sector. While it has shown substantial output gains in terms of real domestic product, employment in the industry has not grown significantly.

The apparent high rate of productivity growth can be attributed to several factors.

One of these is the relatively large size of firms in the industry. The size of firm, in some instances crown corporations such as Air Canada and the C.N.R., is only one aspect. The other significant factor is the advanced level of technology and its corollary, intensive capitalization. The communications firms, in particular, are in the forefront of technological innovation — television, computers, micro-wave relay, coaxial cable and satellites.

The same rapid technological advance can also be seen in materials handling. Indeed, the essence of the transportation system, as it had developed, is flexibility and integration of various modes of transportation.

Finance, Insurance, Real Estate

Industrialization and urbanization of the Canadian economy could not have occurred without the development of a sophisticated financial system. The Royal Commission of Banking and Finance provides a wealth of detail on the development of the financial institutions of Canada. We have created a complex of public and private institutions of sufficient flexibility, size and scope to meet the needs of a growing and diversifying industrial economy.

In the development of our financial institutions there are shortcomings. We do not have an adequate mortgage market, although amendments to the Bank Act allowing chartered banks to enter the mortgage field has improved this situation.

There continues to be a serious lack of the adequate control over the securities market. It is hard to believe that a constitution granting the federal government explicit control over banking and finance has not been interpreted to give federal jurisdiction over stock-markets in Canada. As a result there are many discrepancies in law from province to province.

Major insurance and trust companies are also limited by legislation designed primarily to protect the investor or policy holder rather than to assist in economic development. Again, there have been improvements, but the bias is still towards security rather than

growth, and the risks involved therein. The chartered banks, of course, have also been accused of excessive caution. How much is a result of legal restrictions and how much is related to a traditional banker's approach is a matter of debate.

Despite the shortcomings and the failings of the system, however, the Canadian financial institutions have performed well and have contributed to the development of Ontario.

When considering trends in output, the problems of measurement become very difficult. Nevertheless the index of real domestic product in the finance, insurance and real estate industry indicates sustained growth between 1951 and 1969 accompanied by rising employment. Productivity was not increased to any extent, although there has also been considerable utilization of technologically advanced equipment in the industry, new techniques of management and a trend to larger units.

Another important trend has been the move toward direct government control, particularly in the insurance field. One of the reasons for government intervention has been the desire to obtain revenues from premiums. This was stated openly in the Manitoba car-insurance scheme and was a contributing factor in the development of the Canada Pension Plan. Universal coverage was, of course, a major objective. But it cannot be denied that the redirection of insurance or other premiums from the private into the public sector gives government access to additional funds.

There are no comparable data, other than employment indexes, for the industry on a provincial basis. These data show that employment in Ontario has grown at a faster rate than in Canada as a whole. This conforms to the historic data available for census years. In Ontario today, the finance, insurance and real estate sector accounts for about five per cent of total employment, a sharp rise from the 3.3 per cent in 1951.

Although the banks, real estate offices and general insurance offices are significant employers, the industry is predominantly

urban oriented. Growth in employment is, therefore, mainly concentrated in the Toronto regional or head offices of Canadian financial institutions. With some notable exceptions, the financial institutions tend to concentrate in the provincial capital, and in the downtown core. They are major users of office space in metropolitan centres.

This pattern of location, unlike manufacturing, would seem to be continuing and there is no reason to expect a major shift away from Toronto.

The provincial institutions have followed this pattern and the hospital and medical insurance complexes have been established in the Toronto area.

Future growth in this industry is, therefore, a contributor to urban growth in the census metropolitan areas and the Toronto area in particular. Unless computerization drastically cuts into head office employment, the finance, insurance and real estate industries will continue to concentrate employment in the urban centres.

Trade

Two basic trends have been at work in this industry: first, the development of corporations that have integrated the wholesale and retail functions into one organization; and second, the emergence of the shopping centre or plaza, combining a large variety of retail outlets into one compact area with ample parking facilities.

On the one hand, the industry has responded to the imperatives of corporate planning, financing and control of basic inputs. Major retail chains have integrated the wholesale function into a complete system reaching from the manufacturer to the final consumer. In some instances the wholesaler has moved to control retail outlets.

At the retail end, the trend towards the shopping centre has reached the point that the centre is a fact of life even in smaller cities and towns in Ontario. The underlying reasons has been the desire to accommodate the shopper who prefers to drive his automobile and park close to the store. The whole concept of urban space has been radically

changed by the car and the shopping centre is one expression of this change.

Convenience shopping has also led to the transformation of business hours. The shopping centres, catering to the family, started the trend by staying open in the evenings. The increasing numbers of married women who work have forced the issue of shopping hours. The trend to night shopping, and more recently to holiday shopping, is a reflection of the change in female roles. No longer is the housewife expected to be the shopper in the family. She works. Hence the family excursion to the shopping centre is increasingly a part of our culture.

Convenience has also been a central feature of the developments in self-service merchandising. Packaging has been perfected to allow the customer to make his own choice, without the need to involve a sales clerk.

The system is predicated on the assumption that the customer knows in advance what he wants and can find it. The essence of marketing at the retail level, is to display goods in such a manner as to encourage impulse buying. Hence packaging and "sales" are essential ingredients in retail marketing.

Consumer groups may protest these trends in retailing, but the essential point is that the process has changed. A relatively affluent population, with money to spend on a wide variety of goods and services, is simply not as interested in determining relative degrees of utility for the expenditure of each dollar. Indeed as some have argued, consumption in an affluent society is related to status differentiation rather than utility.

It is a system developed to meet the needs of private affluence, and it works. Too many critics fail to see that the marketing process has changed in response to new cultural and behavioural patterns. The current attack on advertising simply misses the point. Advertising is essential to the operation of convenience shopping.

Despite all these changes in the industry, the independent firm is still typical of a wide variety of outlets at the retail level.

In 1951 independent stores in Canada accounted for 83.3 per cent of total sales. By

1966, the proportion of total sales by independents had declined to 67.2 per cent. The chains were growing in importance steadily, but the independents remained the largest group in the total sales.

This trend is also evident in Ontario. Chain store sales accounted for 36.1 per cent of total sales in 1966 compared to 19.7 per cent in 1951. By 1966 the chain store had become a dominant factor in grocery and combination, department, variety, and shoe stores.

Employment, on the whole, has risen with the increase in total output and there is limited evidence of substantial improvement in overall productivity. Output in wholesale trade rose by 58.5 per cent between 1951 and 1968. In the same period, employment increased by 22.0 per cent. In retail trade, the 55.7 per cent increase in output was accompanied by a 42.6 per cent rise in employment.

The integration of the two operations has led to some labour cost savings in the wholesale function. But even the introduction of self-service operations at the retail level has not led to significant gains in productivity. Trade, particularly retail trade, will continue to be a major employer, and this trend is evident in the employment data for Ontario. By 1969, trade accounted for 16.1 per cent of total employment, up almost two per cent from its share in 1951.

There are several possibilities for changes in shopping patterns over the next decade.

The growth of consumer credit has become one of the central features; particularly sales of major durable goods. The extension of credit — one of the sources for the growth of department stores in the past and an operation that could be most readily undertaken by large firms — has now become available to the smaller chains and independents.

The credit card, used extensively by major department stores, by the oil companies, and now by a wide variety of retail outlets, has very substantial implications for the retail trade industry and banking. We may well be reaching the stage where we can use automated direct billing to banks for almost

all purchases. This possibility fits into current trends in convenience shopping and extensive use of consumer credit. It would also reduce pressures on the banks, not to mention the post office, to process the \$60 billion of cheques cashed each year.

Community, Business and Personal Services

Community, business and personal services have demonstrated continued strength throughout the whole 1951-1969 period. They have provided stable and growing employment opportunities.

One of the striking facts that come out of the comparison of output and employment indexes is the apparent decline in productivity in this sector of industry. Admittedly, the conceptual problems of measuring output in the services may well overstate the case. On the other hand the dominance of small firms (less than 20 per cent employ 20 or more people), and the highly labour intensive nature of many segments of the industry are associated with low productivity. Services are a major employer, accounting for about the same proportion as manufacturing of total employment. But their character is such that they tend to be low-pay.

The trends in employment and output in services suggest that the industry will continue to grow and take an increasing share of total employment.

Public Administration

Of all growth industries, in terms of employment, public administration ranks near the top. Unfortunately the data on employment indices does not segregate public administration. The actual employment data, for several reasons, is not complete for employment by provinces and municipal employment data have only been collected in recent years.

Between 1961 and 1968, civilian employment in the federal government (departments and agencies) rose by about seven per cent. Employment in provincial governments (excluding Quebec and B.C.) increased by 34 per cent. Comparable data are not available for municipal employment.

On the output side, the real domestic product in public administration and defence rose 22.3 per cent in the 1961-1969 period.

Aggregate Productivity Trends in the Economy

Aggregate productivity rates in the Canadian economy have varied significantly since 1951.

The average annual rate of productivity (output per man-hour) in Canadian commercial industries for the period from 1951 to 1968 was 3.9 per cent. Agriculture was a leader. Output per manhour rose at an average rate of 5.0 per cent per year. The other commercial goods industries had a 4.4 per cent average productivity rate in the 1951-1968 period. The most important industry in the non-agricultural commercial sector — manufacturing — had a productivity rate of 2.8 per cent in the period. This confirms the data on output and employment that indicated substantial productivity gains in mining, forestry and utilities.

Productivity in the goods sector has been significantly higher than in the whole economy. The D.B.S. statistics do not include estimates of non-commercial sector productivity rates. On the basis of the information available from employment indexes and real domestic output, these industries have been lagging.

Productivity in the service producing industries was well below the rates established in the goods industries. The annual rate of output per man-hour in the service sector was only 1.8 per cent per year between 1951 and 1968.

The productivity data are not conclusive because the detail on specific industries is not available. But these data do indicate the general pattern within the Canadian economy.

In the primary sector of the economy, agriculture, mining and forestry, expansion of output has been achieved but there has been no increase in employment. Indeed in some industries output has been rising while employment has declined. In mining, substantial increases in output have been realized with little increase in employment.

In the industrial sector, manufacturing, construction and utilities, there have been mixed trends. Manufacturing has been one of the leaders in output gain but the data on productivity suggest a lag in output per man-hour when compared to the primary industries. The lack of detailed data disguises the changes within the industry. The information available from the employment and output indices suggest that productivity has been higher in the durable goods sector than in the non-durable goods sector. But, on the whole, employment in manufacturing has moved in the same direction as output.

There are no specific data on output per man-hour in construction. The information that is available suggests that the rate of productivity varies between residential and non-residential construction, with non-residential construction showing a far better record over the past twenty years. Again the level of employment varies with the level of output.

In the utilities, however, the evidence points to a substantial improvement in productivity. The utilities in Canada have been leaders in output over the past two decades, but there has not been a similar increase in employment.

Taking the goods sector as a whole, rising output has not led to substantial increases in employment. Many of the industries in this sector have demonstrated very high rates of productivity. In two of the industries, manufacturing and construction, the productivity rates, in terms of output per man-hour or in terms of output per person employed, have not been impressive even though they are high-pay industries. With rising international competition, particularly in the durable manufactured goods field, there will be increasing pressure to improve productivity.

As a result of the trends already established, we cannot anticipate an expansion of employment in the goods sector of the economy. Because of the pressures of world competition, increased output in many of these industries can only be achieved by increasing productivity. This means that we can expect to see marginal increase in

employment even with substantial rises in output. While these industries will continue to pay high wages, a smaller and smaller proportion of our growing labour force will be employed in the goods sector. The long-term trend in output and employment in the goods sector supports this conclusion.

The service sector of the economy, on the other hand, has been the sector that has provided the main source of employment for a growing work force over the past twenty years. Without the pressure of international competition, there has not been the same incentive to increase productivity. As a result, productivity in the commercial service producing sector has been lagging. The major exception to this trend has been in the transportation, storage and communications.

The relatively low rates of productivity in the commercial service sector has also meant that this sector is a relatively low-pay sector of the economy. That generalization should be treated with caution. The services include many professional businesses (health services for instance) that pay the highest incomes in the economy. But on the whole the service sector is labour intensive, low pay and has low rates of productivity increase.

For the past twenty years there has been a marked shift to the service industries in output and employment from the goods industries. There is nothing to suggest that this trend will not continue. The vast majority of the new entrants to the labour force in the next decade will have to find jobs in the services, including the non-commercial or public sector.

The central question that this trend poses is how, given the relatively low rates of productivity in these industries, can we afford to pay rising wages and at the same time prevent inflationary pressures from severely damaging the competitive position of the goods industries? If we stress efficiency and rising productivity in the services, they will not be able to absorb the growing labour force. If we ignore the need to increase productivity, and allow costs to rise in this sector of the economy, how can we prevent this cost rise from affecting the cost of

production in the internationally competitive goods industries?

This dilemma was examined by a special Swedish task force which examined inflation in that country. The task force concluded that the Swedish economy was composed of two major sectors: a competing sector, primarily goods industries which compete in foreign markets or in the domestic market with foreign goods; and a protected sector, including those industries which are non-competitive, primarily service industries and public administration.

This general analysis would seem to apply with equal weight to the Canadian economy. Our primary industries have for some time faced the necessity of competing in foreign markets. They have demonstrated remarkable rates of productivity growth and have thus been able to compete successfully despite rising wage rates and other increased costs in the factors of production.

More recently, particularly since the completion of industrial recovery in Western Europe and Japan in the mid-1950's, our durable goods manufacturers have come under increasing pressure from foreign competition. The result has been the stress on technological advance, an increased rate of corporate mergers, and rising productivity.

The non-competitive sector, on the other hand (including some goods producing industries that are protected from foreign competition by any number of factors) have no restraints placed on them, other than internal competition. And for government, there is no competitive restraint at all. Thus, it is in the construction, service and public administration sectors where there have been exceedingly fast rates of price increase and low rates of productivity increase.

Because they are competing in world markets or with foreign suppliers in the domestic markets, many of the goods industries are under continuous pressure constantly to improve efficiency in their operations. This pattern of competitive pressure on prices, rising costs and technological innovation is not new in our economy. Although there are other factors involved, the

process is at work in agriculture. Similar trends can be seen in mining and forestry. The result has been steady growth in productivity. Indeed the primary industries have been among the leaders in productivity growth in the Canadian economy.

The manufacturing industries, particularly since the mid-1950's, have been put in the same position. The observable trends in manufacturing (the decline in the number of establishments, the increase in corporate mergers, etc.) are indications of the response to changing competitive conditions.

One of the anomalies of this situation is that the benefits of technological change accrue, in the long-run not to the sectors of the economy that introduce the new technology but to the non-competitive sectors of the economy. Through steady growth in productivity, the goods industries are able to maintain relatively stable prices and thus remain competitive. The service industries, on the other hand, are not under the same pressure to restrain price increases.

Canadians consumed 39 per cent more durable goods per person in 1967 than they did in 1955, but their expenditures, in current dollars, rose by 50 per cent per person. Volume consumption of non-durable goods per person increased 29 per cent, and current dollar expenditures rose 66 per cent. By 1967, Canadians were spending, on a per capita basis, 88 per cent more on services than in 1955, but their actual consumption of services in volume terms had increased by only 34 per cent.

In other words, expenditures in the service sector of the economy have grown, not

because of any exceptional increase in the demand for services, but because of higher prices.

If the experience of agriculture is any guide, the net result of these trends will be the development of demands on the part of the goods industries for direct government intervention to provide either some form of protection or compensation if the goods industries are to stay competitive. One thing is clear, private capital will be reluctant to go into sectors of the economy in which the opportunity for profit is constrained by factors over which there is no possibility of control by action taken in the private sector.

This rather gloomy view of the future is predicated on the assumption that internal restraints are insufficient to check inflationary pressures in the non-competitive sectors of the economy. There is no doubt that the present inflationary situation will recede. The long-run prospects, however, cannot be considered favourable to the goods sector unless a more adequate method is developed to restrain price increases in the non-competitive sector of the domestic economy, particularly in the services.

It is, therefore, absolutely essential that far more emphasis be placed on the collection and analysis of statistics relating to the service sector. It is still exceedingly difficult to understand what is happening in a sector of the economy that employs over one-half of the work force. Yet without adequate knowledge, public policies designed to promote employment and restrain inflation must operate in a virtual vacuum.

The Economic Setting: Incomes and Consumption

The third factor in the transformation of the Ontario economy in the period since 1951 was the unprecedented expansion of incomes and the rise in material standards of living.

The growth and urbanization of the population and labour force, combined with the diversification of employment opportunities and the increase in output in all sectors of the economy, produced an affluent society. Though not everyone has benefitted, the fruits of industrialism are widely spread throughout the whole society.

In 1951, the median income of non-farm families in Ontario stood at \$3,499. By 1967, it had more than doubled to reach \$7,627. In 1951, some 16 per cent of all non-farm families had incomes of less than \$2,000. By 1967, four per cent of all non-farm families had an income of less than \$2,000. Rising income has been partially a reflection of inflation, but real incomes have risen over the past two decades.

Limitations of Canadian income statistics preclude the development of historical comparisons. The early income surveys excluded farm families. The 1967 and 1969 surveys of all Canadians also attempted to measure the incidence of low income. In 1967, using an income cut off of \$2,900 for a family of two, and adjusting for family size, it was estimated that 12.4 per cent of Ontario families were low-income families. In the two years from 1967 to 1969, the incidence of low-income families declined to 12.1 per cent, after taking price increases into account.

The data on personal income show that real incomes have risen in the past two decades. Even when the growth of population and price increases are taken into account, there has been an increase in real income per person each year, with the exceptions of 1954, 1958 and 1961 — recession years.

Rising incomes for Ontarians generated a

spiraling demand for goods and services in the economy. The steady growth in demand for goods and services created the conditions necessary for the expansion of production and employment. And increased production and employment generated higher incomes and rising demand.

High and increasing levels of income also had a direct effect on the social composition of Ontario society. Class lines based on income differentiation and material status symbols tended to blur as more and more people began to acquire the attributes of affluence. The older conceptions of blue and white collar occupations came to have less significance as the blue collar workers' incomes rose and as more and more people entered white collar occupations. The majority of the residents of Ontario came to share the attitudes and values of the middle class.

The argument that affluence has created a classless society can be taken too far. There remains a clear distinction between classes. A professional-managerial class exists, distinguished by income and education, and distinct from other groups in Ontario society. At the other end of the income scale are the poor, the disposed, the underprivileged. These are the people who have not benefitted from the general expansion of income in the past twenty years. But the groups in the middle, the majority of Ontarians, cannot be classified on simple class lines.

In social terms, this is the primary effect of twenty years of prosperity. We have succeeded in breaking down the lines of demarcation that divided our society into relatively homogeneous groups. Distinctions can still be made on the basis of ethnic origin, religion and occupation in this dominant middle group. But these tend to be inadequate as indicators of behaviour or attitudes.

The most surprising development is the

relative ease with which so many immigrants have been able to move into the mainstream of Ontario society. This transition from outsider to an accepted member of Ontario society occurred because class lines were not rigidly drawn in a society characterized by mobility.

One indication of the successful integration of the immigrant into the economic system comes from the studies of income distribution. Although pre-war immigrant families have lower median incomes than do native-born Canadian families, the families of post-war immigrants have higher median incomes. Part of the explanation rests in the occupational and skill backgrounds of the post-war immigrant, but part of the explanation rests with the changes in the society they entered. They found opportunity for social mobility. The success of the immigrant has been a reflection of the high degree of social mobility within Ontario society.

Distribution of Income

One of the results of the rise in family and personal incomes over the past two decades has been the spread of the total population over a broader income spectrum. In 1951, for example, almost one-quarter of non-farm families received incomes in the median income range (\$2,000 to \$3,000). By 1965, the median income for non-farm families had increased to over \$5,000, but only 12 per cent of the families earned incomes in this range. The 1969 survey included all families and the median income was reported at \$9,000. Only about nine per cent of the families earned incomes in this range. As median income rose, the proportion of people earning that level of income declined indicating a widening spread of income levels in Ontario.

The proportion of families in the lowest income group has been substantially reduced. In 1951, almost 16 per cent of non-farm families had incomes of less than \$1,000. By 1965, this had been reduced to less than seven per cent of non-farm families. And by 1969, less than one per cent of all families had incomes of less than \$1,000, and only some

three per cent of all families had incomes of less than \$2,000.

The most marked change in the distribution of incomes took place at the upper end of the income distribution. In 1951, 1.8 per cent of non-farm families had incomes in excess of \$10,000. This had increased to 12.0 per cent by 1965. In 1969, 41 per cent of all families had incomes over \$10,000.

There is another way of looking at the distribution of incomes in the province. This is the share of total income accruing to each fifth of the population. The bottom fifth of income earners (both families and unattached individuals) received 4.4 per cent of the total income in 1951, according to the survey of non-farm income. By 1965, the share of total income to that group had increased to only 4.6 per cent. For the second fifth, their share increased from 11.2 per cent to 11.9 per cent. In other words, despite the rise in the median incomes for all non-farm families and unattached individuals, in the fourteen years from 1951 to 1965, there was no substantial shift in the distribution of income among income groups.

Although everyone is better-off in terms of median incomes in each income group, there has been no significant redistribution of income in Ontario despite the existence of a progressive income tax and a variety of programs designed to redistribute income.

There are three trends at work. First, median incomes for all income earners are rising, giving everyone more access to the goods and services of the industrial economy. Second, there has been a broadening of the income spectrum, allowing for greater diversification in consumption patterns within the whole population. Third, there has been no major shift in the share of total income going to the different income groups in the population.

Composition of Income

The income studies of the Dominion Bureau of Statistics show a consistent relationship between level of income and six key determinants: source of income, age and sex, place of residence, number of children in the family, and education.

The most crucial factor is the labour force status of the head of the family or the unattached individual. Median family income is highest in families whose head is employed and declines significantly for self-employed heads. Families whose head is not in the labour force have a median income of less than half of the families with an employed head.

Wages and salaries represent the predominant source of income for families and unattached individuals in the middle income brackets. As the income level increases, the income from investments represent a larger share of total income. For many of the upper income groups, income from self-employment represents the major source of income. This is particularly true of the professionals.

At the other end of the income ladder, transfer payments make up the largest single source of income. In 1965, for example, transfer payments accounted for almost 70 per cent of total family income for families with incomes of less than \$1,000 and 49 per cent of total income for families earning less than \$2,000.

The level of income varies with the age and sex of the head of the family or the unattached individual. Median income tends to rise with age to the peak earning years from 45 to 54. After 55 years of age there is a decline in the median income. This pattern does not hold for both males and females. There are differences in the peak earning years, but the general relationship in terms of rising incomes followed by a decline as the wage earner gets older is valid.

There is a marked discrepancy between the incomes of males and females, whether heads of families or unattached individuals. In 1967, for example, families with a female head had a median income of \$3,852 in the 35-44 age bracket. Families with male heads in the same age group had median incomes of \$7,572. The discrepancy was even more severe for unattached individuals.

Income varies with place of residence. Families and unattached individuals living in metropolitan areas had higher median incomes than did people and families living in

non-metropolitan areas. Income varies with the size of community. Higher median incomes prevail in cities than in small urban areas and the lowest incomes are to be found in rural areas.

In families, there is a relationship between the number of children under 16 and the size of income. Families with more than four children under 16 years of age have a lower median income than do families with one, two or three children. Families with no children have the lowest median income, but this is related to age. Either the family head is young, and has not reached peak earning years, or the head of the family is old and past peak earning years or out of the labour force altogether.

Not surprisingly, median income varies with level of education. The higher the educational level of the head of the family or the unattached individual, the higher the median income.

Though it is impossible to draw generalizations from the income data that apply without exception, certain patterns appear. Industrialization and urbanization of the economy has created a new middle class. Although there is a wider spread of income within the middle class than there was twenty years ago, this class is composed of the roughly 50 per cent of the population earning incomes in the \$6,000 to \$12,000 range. For the most part they are employed wage earners. They have been the beneficiaries of the doubling of industrial wages that has occurred in the period from 1951. Within this middle group the distinctions between white collar and blue collar have decreased. Their consumption patterns, their life styles and their attitudes and values are more a function of income and place of residence than of occupational status.

The spread of income levels within the new middle class produces a wider diversity in individual expenditure patterns. Because they have more than enough income to purchase essentials, they use their surplus income to achieve status differentiation and personal identification. The new middle class is almost completely dependent on the industrial

system for its livelihood and on the government for an ever-increasing range of public goods.

At the upper end of the income stream is the professional and managerial elite. This class is clearly differentiated from the middle class on the basis of income, occupation and education. They are the managers of the industrial system, the senior public officials and the professionals. The most important factor determining their status in the society is their educational level. Indeed access to education is the source of social mobility in the industrial system. Education is a key determinant of income and occupation.

They share with the middle class a dependence on the successful operation of the corporate industrial, educational, medical and governmental system that has evolved in Ontario. The key difference between this group and the middle class is that they are the decision makers in the system.

At the bottom end are the poor. These are the people in Ontario society that are not attached to the industrial system through permanent employment. They have not shared in the rise in income levels. They are dependent on transfer payments for a significant proportion of their incomes. Many are self-employed in low-paying businesses — farms, and personal services of all kinds. For some their attachment to the industrial system is marginal. They work at the low-pay jobs, they are unorganized and they are sporadically laid-off. Without skills or adequate education, they cannot obtain a sufficient income.

Female Employment: Discrimination or Equality?

The general improvement in income levels in Ontario disguises the underlying trends in the economy. Two points should be noted: the rise in female employment and the shift of employment from higher wage industries to lower wage industries.

The median incomes for non-farm families in Ontario rose from \$3,499 in 1951 to \$6,620 in 1965, an increase of 89.1 per cent. In the same period the industrial composite of

wages and salaries in Ontario rose by 82.6 per cent. The industrial composite does not cover agriculture and, therefore, is representative of non-farm incomes. It does, however, overstate the increase because it does not include many small low-wage firms in the service sector. The discrepancy between the rise in wages and the increase in median family incomes is partly explained by the rising number of married females in the labour force.

The lower wages earned by females was shown by the figures on job families and job content. The same conclusion is supported by income figures. In 1969, for example, the median income of females was \$1,743 compared with \$5,571 for males.

This discrepancy holds for all age groups, immigrant status and education. Unattached females, with a university degree, had a median income of \$3,587 in 1965 while males with the same educational level had a median income of \$8,547. The pattern holds no matter what variable is used — females have lower incomes.

It can be argued that the lower wage rates paid to females is acceptable because the male is considered the family head and the married female is primarily supplementing family income. This argument might be used to rationalize the current situation if all married women were indeed simply supplementing family incomes. But the arguments fall down in logic as well as in practice.

Part of the reason for the discrepancy in median incomes paid to females is the occupational distribution of women workers and the degree of attachment to the labour force. Though there is evidence of wage discrimination in all occupations, in many high-pay occupational groups women are in a minority. Female employment tends to be concentrated into a relatively few occupational groups and in the lower wage sectors — services and trade.

While the changing structure of the economy has created unparalleled opportunities for women to enter the labour force, the growth in female employment has not changed the prevailing discriminatory structure of wage rates. And with female

employment concentrated in relatively low-pay occupational groups, the pressure for equality in wages has been mitigated.

The situation is now changing. In Ontario the emergence of an agency in the Department of Labour to deal specifically with women's position in the labour market is a sign of the potential future changes. But the key lies with organized labour. If unions can organize women in the service and white collar occupations there will be significant changes made in working conditions and wages.

Consumption

Personal expenditures of goods and services account for about 60 per cent of Gross National Expenditure. Personal consumption is the largest single factor in total demand in the economy.

Between 1951 and 1969, both personal disposable income and personal consumption expenditures rose three and a half times. Even after adjusting for the increase in population and the effect of price increases, the consumption expenditures of Canadians increased substantially. This has been one of the key factors in the almost continuous economic growth of the Canadian and Ontario economies.

The net result of this rise in consumption expenditures has been the spread of the material artifacts of the industrial system throughout the whole population.

The annual survey of household facilities and equipment gives a clear picture of the reality of affluence in Ontario. Virtually all households were serviced by electricity in 1969. Over 96 per cent of the households had telephones, over 97 per cent had one or more radios, and over 99 per cent had an electrical or mechanical refrigerator.

Sixty-two per cent of households had one motor vehicle and another 18.8 per cent had two or more automobiles. This compares to the 64.6 per cent of total households with automobiles in 1953.

In 1953 some 14.5 per cent of Ontario households did not have running water, 23.2 per cent were without bath facilities and 18.3

per cent did not have indoor toilets. By 1969, these percentages had been reduced to 1.7 per cent, 3.5 per cent and 3.0 per cent respectively.

The ownership of houses has not shown the same growth trends. In 1953 the typical pattern was the ownership of a private single detached house. Seventy-two per cent of all householders owned their homes and 71.7 per cent of all dwelling units were single detached houses. By 1969 house ownership had slipped back to 68.3 per cent of total households and only some two-thirds of all dwelling units were single detached houses.

One of the results of this trend has been the decline in the percentage of households with washing machines. Some 88.9 per cent of households were so equipped in 1959 but this proportion declined to 80.7 per cent in 1969.

These figures reveal the speed with which new products obtain acceptance in the mass market. The outstanding example is television. In 1953, only 21.5 per cent of all households in Ontario had a T.V. set. By 1969 the percentage had risen to over 96 per cent, with 10 per cent having colour T.V. sets.

Because level of income is a major determinant of life style, one might expect that the differences in income levels would be reflected in the ownership of durable goods, and that there would be a more uneven spread of ownership of household facilities than is revealed by the figures.

The ownership data suggests that the status differentiation accorded to the ownership of consumer durables tends to be a function of time, quantity and quality. The almost universal ownership of television sets and radios is a case in point. Although almost all households own both a radio and a television receiver, a much smaller percentage of households own more than one T.V., or own a colour set.

Ownership seems to follow a pattern. As each new product is introduced, it is purchased by a growing number of households. The rate of market penetration varies as a function of cost and utility. Essential items such as refrigerators are owned

universally, while air-conditioners and dishwashers are exclusive items that are owned by a relatively small fraction of total households. But this fraction grows over time.

Any individual item can change from a luxury to a necessity. Television is a prime example of this development. As a product becomes increasingly owned, status differentiation is maintained by varying the quality (a Cadillac versus a Volkswagen) or by the ownership of more than one of the product (two cars, for example).

The essential fact of our affluent industrial society is that status is to a large extent a function of the possession of material goods. This is the driving force of the economy. As long as people purchase goods and services for the purposes of status differentiation, rather than simple utility, the demand for all kinds and types of goods and services is virtually unlimited. As the data on ownership of household facilities demonstrates, even the widely spread ownership of a household facility does not limit its ability to confer status.

If the ownership or possession of durable goods has a role in status differentiation, then we can expect that the pressures for production and consumption of a widening range of consumer goods in the private economy will continue to operate in the decade ahead. There is no evidence yet available to suggest any marked shift away from this attitude.

Consumer Credit

One of the by-products of the demand for consumer goods in our economy is the soaring indebtedness of the consumer. In the period between 1961 and 1970, total consumer credit balances outstanding almost tripled. This is the best indicator available of the drive for material possession. And credit buying is one reason for the wide spread acquisition of material goods throughout the whole society.

Personal consumption of goods and services in our economy is based not on present income levels, but on anticipated future income. In a period when full employment was the norm, the individual was willing to go

into debt. He was confident that he would obtain the income necessary to meet his contractual obligations.

For some time the average worker expected to obtain a yearly increase in his income, without regard to changes in productivity. It was this anticipation of future higher income that led to large scale credit buying. And for most of the fifties and the sixties this assumption proved to be correct.

The past twenty years have been called an era of rising expectations. For the bulk of the income earners the expectation of higher income has been realized. As a result we have enjoyed unprecedented prosperity. The consumption of an ever-widening range of goods and services — increasingly purchased by the use of personal credit — has spread the benefits of industrialism to an ever-expanding number of people.

Rising expectations can be realized only if the productivity of industry creates the conditions for real income growth. But, if we are unable to obtain adequate levels of productivity growth in the labour intensive service industries, higher wages can only result in higher prices. The opportunity for real growth in incomes in the service sector is limited, and inflationary pressures so generated will have adverse effects on goods industries with high productivity rates.

Our economy is a finely balanced system. But the distortions that have been built into it over the past two decades have upset the balance. Not the least of these distortions is our insatiable demand for private consumption of goods and services based on the assumption of increased incomes. The potential for income growth is limited in the future because of the changes in the production and employment. Though goods production will continue to employ a large segment of the labour force, most of the increase in employment will be in the lower-pay services.

How we can afford to maintain a competitive goods sector and at the same time employ the bulk of the population in the services that are not as productive? If we pay adequate wages in the less efficient services, how do we restrain inflation? If we stress

productivity in the service sector, how do we ensure employment for a growing labour force? Is the system that we have developed based on the private consumption of goods and services, augmented by the proliferation

of consumer credit, capable of continuous expansion? Or are we entering a period of basic change, a period where the fundamental value system underpinning the economy is in the process of change?

Chapter 6

Politics and the Political Process

Social and economic change does not take place in a vacuum. The events of the 1950's and the 1960's that reshaped the social and economic base of Canada and Ontario were paralleled by the transformation of government.

In 1951 total government expenditures (including inter-governmental transfers) accounted for about 23 per cent of Canada's Gross National Product. A direct comparison with 1969 cannot be made because of changes in the national accounts system, but for this latter year, total government current expenditures stood at 39 per cent of G.N.P.

One of the major trends in our economy in the 1951-1969 period was the increase in the size of government and its impact on the total economy. Despite this there is relatively little data available on employment and output in the public administration sector. We still do not have complete information on employment in the provincial sector, and the information on employment in local government has only been collected in the last few years.

Information on expenditures is also difficult to use because of variations in accounting techniques. Data from the national accounts are available, but are limited because of the difficulty in obtaining data on a provincial or sub-provincial basis. Nevertheless, from the information available, it is clear that the three levels of government are growing as a percentage of Gross National Product and in terms of employment at a faster rate than the private economy.

The rising cost of government is a popular topic. For many, increasing taxes are merely a reflection of the waste and duplication inherent in public enterprise. Though many advocate the cut-back in government spending, few would like to see programs and services supplied in the public service curtailed. The paradox is that there are always people and groups who want the government to do more in their particular field of interest.

The market system, which allocates resources in the private sector, doesn't apply to government. Theoretically, a responsible government makes its decisions on the basis of its interpretation of public need, tempered by its assessment of the political, economic and social effects of policy. The political market place — the election process — is the method by which the consumer of public services can express his or her support of government's actions.

This ideal situation does not exist in practice. Elections are rarely decided solely on the basis of an individual's assessment of the government's record while in office. It is difficult for the voter to register a vote in support of one program, but his opposition to another program. The complexity of modern federal politics makes it almost impossible for the voter to distinguish among the levels of government. Each level, because of transfer payments, is directly involved in the operation of scores of programs. In this situation it is almost impossible to assign responsibility for action taken.

The use of the consolidated revenue fund

further complicates the system. Because all revenues go into one fund, and all expenditures are made out of that fund, the cost of any program is not related to taxes paid. This works against any possibility of accountability in terms of the spending of revenues on specific programs.

Even where a service is related to a specific tax (unemployment insurance or health services) the premiums paid do not cover the full cost of the service, and monies from the consolidated revenue fund are used to subsidize the program.

It does not follow that the voter is at the mercy of an uncontrolled government. The final control of the election is very real. The difficulty with the electoral process is that it is an ultimate weapon. You have no option other than supporting or defeating the government in power. You cannot support or reject individual government policies.

This is the dilemma of modern democratic government. As government gets larger and larger, the individual sees more and more of his income taxed to support the proliferation of programs that he may or may not support.

From the point of view of the individual, the government reacts to the reality of power in the society. Government, rather than the expression of the collective interests of the society, becomes the tool of interest groups. Organized groups can exercise control over the government because they hold power, either in terms of votes or in terms of economic influence. The process of politics is seen as the interaction of power holders.

Political analysts have given credence to the power explanation of the political process. But many of these writers have failed to recognize the existence or the importance of the bureaucracy. The administration itself is a key interest group.

Elected public servants depend to an ever-growing extent on the flow of information and analysis they receive from the bureaucrats. As the business of government grows, the need for information expands at an exponential rate. Almost any decision made by a government has ramifications throughout the whole society. Economic and social

considerations must be taken into account. Even if the elected official takes it upon himself to interpret the political implications of any move, he must have access to information of all other aspects of the question before him. And for the bulk of this information, he depends on the bureaucracy.

The long standing convention in Canada of a non-political civil service, having security of tenure, is based on the British model. Basic to this idea is the view that the senior civil servant gives advice but does not make decisions. Given the complexity of the matters brought before the politician, and given his reliance on the bureaucracy for information on all aspects of the program, this is too limited a view. You cannot differentiate between the decision made and the information on which the decision was based.

The emergence of the bureaucracy in modern government is not surprising, nor is it a particularly new phenomenon. The difficulty with the emergence of a powerful elite within government, not directly responsible to the people, is that it reduces the power of the people to control the government through the democratic process.

New programs or services are introduced by government to meet perceived needs. The problem is, who determines what the need is and who assigns the priority that is given to that need? The answer is never clear. A great many individuals or groups are involved — politicians, interest groups, individual citizens, the press, academics and civil servants. The key to the influence of the bureaucrat is that he acts as the interpreter, the funnel through which the information flows to decision makers in government.

It would be a mistake to assume that the bureaucrat uses his position to pursue his own ends. The talents and abilities of civil servants vary. Some are motivated by deeply held ideals of public service, some are motivated by career considerations, and some are motivated by narrow and base considerations. The point is that the bureaucrat exercises considerable power and influence, yet he is outside the restraints of public control

through the medium of the electoral system.

Given the unprecedented expansion of government at all levels in recent years, the rise of the bureaucratic elite was inevitable. Unfortunately, the popular conception of government today, and much of the material written about government today, simply ignores the transformation of the administration of government services. Our attention is focused on the personalities of the public figures who dominate Canadian politics. But little attention is paid to the thousands of men and women who administer the government programs.

But the figures on the expansion of government expenditures should alert us to the importance of the administration. The bureaucracy is an essential and increasingly important part of Canadian political life. The background, the training, the values of the men and women in the bureaucracy can no longer be taken for granted. The old dogma of ministerial responsibility is no longer sufficient. The bureaucracy must be seen for what it is: a major source of political, economic and social power in our society.

There is a further reason for bringing the spotlight of public attention to the operation of the bureaucracy — the ever-growing power of boards and commissions. Ontario has led the way in efforts to set new standards of operation and establish new appeal provisions from the many boards and commissions established by statute, and governing so many aspects of our lives. The reform of administrative law on this province represents a milestone in the development of a sensitive and responsive bureaucracy. But there is much more to be done.

As long as the major expression of government action was in the form of legislation or the expenditure of funds raised through taxation, the electorate could express its opinion through the channel of a democratic election. But as government moves to the development of a comprehensive planning, the overt acts of government become only the tip of the iceberg. The fundamental decisions are made in terms of a plan that may or may not be public

knowledge.

Control over planning will present the real test to our system of government. And the record to date would seem to suggest that government prefers to plan without the elected representatives of the people having any real say in the planning process. This is eminently the prerogative of the expert and the bureaucrat. The late James B. Milner posed the problem best when he asked: "Who plans the planner?"

Federal Politics: The Swing of the Pendulum

In the early 1950's the federal government was virtually unchallenged at the centre of the Canadian political system. The provinces had abdicated their position during the war years. The federal government, concerned with the possibility of a post-war depression, was reluctant to give back the taxing and spending power that it had acquired to pursue its war policy. Although challenged by the Premiers of Ontario and Quebec, the federal government had pledged itself to the policy of full employment in Canada, and argued that it needed the taxing power to introduce appropriate fiscal policies.

The federal Liberal administration was able to build and maintain a coalition of interests that supported the policies of the national government. The provincial administration in Ontario reluctantly entered into a tax agreement with the federal government, but because of buoyant economic conditions the province was able to finance an aggressive development policy on its limited tax base.

Only in Quebec was there an unwillingness to go along with federal initiatives. But the continued electoral success of the Liberals in that province gave the federal government the necessary political support to maintain federal dominance. The election of Mr. St. Laurent strengthened the Liberal's position in Quebec.

The period of the Liberal ascendancy in Ottawa in the early 1950's has been characterized by one Canadian historian as "boardroom politics". If there was anything missing in terms of excitement, this was more than made up for by the image of business-like competence.

The sudden defeat of the seemingly invincible Liberal government caught the country by surprise. Unfortunately for the new Conservative government of John Diefenbaker, its ascent to power coincided with the collapse of the post-war boom. Between 1957, when he was first elected, to 1963, when he was defeated, the Canadian economy was in a period of slow growth.

The inability of the Conservative administration to cope with the economic problems besetting the country created a political vacuum. Part of the support of the Diefenbaker government came from the provincial governments that had been restive under the benign rule of a powerful federal regime. The Conservatives had promised a new financial deal to the provinces, and the recessionary period put increasing pressure on the provinces for more tax revenue.

The federal Conservative government was under severe pressure to improve the position of provincial revenues and it made important concessions. It also worked out major cost-sharing programs, including vocational training and rural development. There was a marked change in the approach of the federal government to federal-provincial relations.

One of the results of these changes in approach was the shift in the relative importance of the three levels of government in terms of expenditures. In 1957, the last year of the Liberal government, federal expenditures represented 57 per cent of total government expenditures. By 1963, federal expenditures amounted to only 47 per cent of total government expenditures. The pendulum had swung back to the provincial and municipal governments.

When the Liberals returned to power as a minority government, in 1963, they were faced by the escalation of provincial demands for more room in the direct tax field. Lester Pearson's answer was the concept of "co-operative federalism". The federal government tried to reassert its predominant position in Canadian political life by the introduction of a series of reforms — the Canada Pension Plan, the Canada Assistance Plan, a new version of ARDA, the Area

Development Agency, and finally Medicare. This thrust towards centralization at the federal level was only partially successful.

In any case, many of the reforms simply meant the expansion of provincial expenditures. Throughout the later 1960's, the whole question of federal-provincial relations was a powder keg that threatened the political unity of the country. The growth of separatism in Quebec, the decline in wheat sales from western Canada, the growing isolation of British Columbia, and the demands for tax room by Ontario constrained the federal government. Cooperative federalism was shattered on the rocks of the lack of co-operation.

By the end of the sixties, the federal government moved to re-establish its primacy in economic policy by its decision to take over direct control of manpower policy, to go ahead with a tax reform program, and to establish a regional development policy which had little provincial input. Whether or not the pendulum will swing back to the federal government remains to be seen. The 1970's will be marked by a continuing struggle between the forces of regionalism and the forces of centralism. And, as always, the position of Quebec will be pivotal.

Ontario Politics: Change and Continuity

The political life of Ontario for the past two decades was dominated by two men: Leslie Frost and John Robarts. Each man had an individual style, an individual approach to the government of the province. Each man made a unique contribution not only to the political life of the province but to its social and economic development.

Frost was a builder. His credo was best expressed in his first budget speech as Treasurer:

"We are building not only for these times, we are planning for a greater population, for industrial expansion, for prosperous farms and for a happy and healthy people. We are laying the sure foundations for a greater and stronger Ontario."

The overriding concern of the Frost administration was to create the conditions of

economic growth: to build the foundation of growth in terms of essential physical assets — roads, water and power. But there was another strand in the government's overall policy of development, and this was the need to promote "human betterment". Under the banner of "human betterment" the government of Ontario enlarged and improved on basic services in the fields of health, education and welfare.

By the early 1960's the Frost approach to government was no longer adequate. A new approach was needed, and John Robarts answered this need.

Robarts recognized the need for efficiency in government, not only to maximize benefits from the expenditure of billions of dollars, but also to protect the individual from arbitrary action on the part of the government. It is difficult to comment on the future historical assessment of a man, but the efforts made by the Robart's administration in the field of human and civil rights may well prove to be its lasting contribution.

In the early 1950's a mood of optimism prevailed. Rising exports, particularly industrial materials, the newly discovered oil and gas fields in Alberta, and the burgeoning secondary industries of central Canada each contributed to general prosperity. Growthmanship was the name of the game. It is not surprising, looking back, that the goal of a rising material standard of living became broadly accepted as the primary social, economic and political objective.

In Ontario the commitment to economic growth was the central postulate of public policy throughout the fifties. One of the high priority items on the provincial agenda was highway construction. And the cornerstone of the highway system was the construction of the Macdonald-Cartier Freeway from Windsor to the Quebec border.

In the late forties the province moved to build an integrated 60 cycle power grid covering the whole of southern and north-eastern Ontario. In the early fifties the emphasis shifted to the construction of the provincial road network and, by the late fifties, attention was turning to the problem

of adequate water supplies and sewage treatment. These three vital utilities, roads, power and water, formed the basic underpinning of the industrial, commercial and residential growth in Ontario's cities and towns.

The prevailing economic philosophy of the 1950's was that government had a responsibility to maintain full employment and rising incomes. Government was not seen, however, as the source of economic growth, but rather as providing essential services and physical assets — particularly utilities. Private enterprise was viewed as the dynamic centre of economic activity with the government responding to the initiatives taken in the private sector.

The secondary role of government in the growth process led to an approach to economic problems that precluded any attempt on the part of government to intervene directly in the economy through overall planning. This attitude was not based on any philosophic rejection of the idea of economic planning; it was more a reflection of economic reality. In 1955, for example, net ordinary expenditures of the Government of Ontario amounted to five per cent of personal income. By 1965 this had risen to nine per cent of personal income. In 1970, net general expenditures of the province amounted to 14 per cent of total personal income.

In the fifties, provincial expenditures were rising, reflecting the demands placed on services from a growing population. Between 1950 and 1960, the population of Ontario rose by 37 per cent, and the per capita expenditures of the province (in 1949 dollars) rose by 46 per cent. The pressure on municipalities and school boards during this period are also evidenced in the 79 per cent increase in per capita real expenditures by local government in Ontario.

The increase of government expenditures was a result both of a general expansion of services and the changing priorities of government expenditures. In 1950, for example, spending on highways accounted for slightly more than one-quarter of net

expenditures of the province. This rose to a peak of over one-third in 1957 and then started to decline. The only other area showing similar growth was education where expenditures rose from 19 per cent of net expenditures in 1950 to 25 per cent in 1960.

The steady rise in education expenditures by the province illustrates the other major trend in provincial policy in the 1950's. If the emphasis on electricity, highways and water represented the province's commitment to economic growth, the increase in expenditures on education reflected the response of the government to the growing financial imbalance of the municipalities and school boards.

But, again, it would be incorrect to read into events of the past a meaning that was not there when the events took place. When the Conservative government brought in school grants in 1943 the avowed purpose was to relieve the municipal taxpayer from the rising costs of education. The gradual extension of provincial financial support during the fifties had this purpose. Equalization grants were introduced in recognition of the differences in ability of school boards to meet their rapidly growing obligations.

By the 1960's, however, the financial problems in education came to be related to the desire to ensure equal educational opportunities throughout the province. And this, in turn, led to the fundamental reorganization of the whole educational system, including the Robart's plan, the tax foundation scheme, the consolidation of school boards and the establishment of a provincial system of Colleges of Applied Arts and Technology.

This shift from financial support to the broader social goal of equalization of educational opportunity represented a basic change in the conception of the role of the province and its position in the economy of the province.

This same trend can be seen in the health field. Provincial government involvement in the provision of health services dates back to Confederation. The first grants to public hospitals were paid in 1874. By the 1950's,

the provincial system of Ontario Hospitals was well established and was expanding to meet emerging needs. Public health services were also growing and provincial expenditures on health services accounted for about 11 per cent of net general expenditures in 1950.

Despite the growth in health expenditures, particularly as a result of the hospital insurance plan, the share of net general expenditures allocated to health did not change markedly until the mid-sixties. In 1964, for example, health expenditures by the province were still at 10 per cent of net general expenditures.

By the end of the decade, however, health surpassed highways as the second major expenditure area rising to about 17 per cent of provincial net general expenditures. The increase is almost entirely a result of expansion of services, particularly medicare. Again, a trend towards a change in the fundamental conception of the provincial role can be seen. Health services, provided by the province, have become a central feature of our economy and society.

The change in the priorities of government spending from the provision of physical assets — roads, power, water and sewage treatment plants, schools and hospitals — to the provision of services has led not only to the rapid growth in total government expenditures but to a new conception of the role and purpose of government in Ontario.

In both the 1950's and the 1960's, the provincial government had as its central goal the encouragement of economic growth. In the fifties, however, the government was seen as performing a peripheral role in the growth process, providing essential services and assets to meet the needs of a dynamic private economy. In the 1960's, the provincial government began to see itself as the leader, and adopted economic planning as official policy in 1966.

The shift in the conception of the role of the provincial government brought Ontario increasingly into conflict with the federal government. The fight over the division of taxing power disguises the basic conflict between the provincial and the federal

governments. Ontario has come of age as a mature industrial economy. Ontario's vital interests are with the further development of the provincial economy and the equalization of opportunity within the regions of the province. Though the province has been willing to contribute to the development of other parts of Canada, it has become increasingly concerned that federal policies are detrimental to Ontario.

Ontario's relations with Ottawa are founded on the need for additional tax room to develop economic policies designed to stimulate the expansion of the Ontario economy. The central question that has yet to be faced is whether the institutions that we have set up to facilitate federal-provincial co-operation, including the possible revision of the constitution, are adequate for the job. We have created a super-government in the federal-provincial meetings. But we have not asked ourselves if this is a proper or effective structure for the reconciliation of political disputes and the creation of sound national and provincial policies.

Municipalities: The Step-children of Canadian Politics

Legally, the municipality is the creature of the province. It is an incorporated body, granted power to exercise specific responsibilities. The municipality is simply one of many local authorities set up for a number of purposes. Historically, however, the municipality has an existence separate from the provincial administration. It was a part of the political system of Canada before Confederation. It has deeply entrenched roots.

The municipal system in Ontario was first established in the 1840's. Its form has been virtually unchanged. This is the primary source of the problems of municipal government.

Social and economic change has not been reflected in the reform of the municipal system of this province. This does not mean that local government has not changed; it has. The problem arises primarily because the province created new forms of local government — special purpose authorities — rather than expand the functions of municipal governments.

One reason for this development is that the boundaries of the municipal governments have remained virtually unchanged and are no longer appropriate for administrative purposes. We have created a complex system of local government of which the municipality forms only a part.

Because of the geographical and financial limitations of municipal government the province has also taken over functions that were traditionally municipal functions. The province has not given the municipalities an adequate tax base, limiting the municipalities to the property tax and preferring to supplement their revenues through conditional and unconditional grants.

The net result has been the virtual stagnation of municipal government in Ontario. Too many municipalities lack the essential drive and imagination to cope with problems caused by industrialization and urbanization. Locked into antiquated institutional forms, without adequate revenues, unable to attract professional administrators, the municipalities have been reduced to a minor position in the political system in Ontario.

There are signs that this pessimistic appraisal of the municipal system is no longer valid. The province, in setting up the Municipality of Metropolitan Toronto in the 1950's, gave notice of a new deal for Ontario's municipalities. In the 1960's the wave of reform began to shake the municipal system out of its lethargy. The government's policies of tax reform, municipal consolidation and the creation of regional governments began to change the whole municipal governmental system in the province.

The problem of developing an adequate system of local government, and the appropriate divisions of responsibilities and revenues between the provincial and the municipal governments, will be a major political issue in the next decade. The changes made in the past twenty years are only the first steps. The challenge of creating a viable political instrument at the local level remains as a primary goal of the provincial government in the future.

PART TWO

TRENDS

Trends in the Economy

It has been held, with some justification, that generals always fight the current war with the strategy and tactics developed during the preceding war. For policy makers brought up on a diet of depression, it is not surprising that they are concerned primarily with preventing another such occurrence. Hence the commitment to economic growth.

But as Arthur Smith has pointed out, economic growth is a "performance goal"; a means to achieve other ends, defined as "achievement goals" of a society.

In the twenty-five years since the end of World War II, the performance goals of economic growth and full employment have been generally accepted as the primary objective of government policy. Other societal objectives have been seen as the ideals of human society, but of limited operational importance in the real world of international competition.

Today, however, the question of growth for what purpose has become increasingly important as an issue of political life.

Though the vast majority may approve of the goal of economic growth, there are restraints imposed because of tradition, institutional rigidity, and self-interest. But, problem solving in this situation is manageable. When, however, there is debate on the nature of the goals to be pursued, the pragmatic approach of problem solving is untenable.

"With respect to the decade examined here the uncertainties are, perhaps, more acute even than those that confronted the efforts of earlier decades — In one other respect, as well, the base of recent history may provide little guide to the long-term future: some of the nation's most immediate economic problems do not involve simply economic growth, which can be more or less readily

quantified, but the quality of the society that the economic system serves. Assumptions about the social characteristics of the future, and the distribution of economic output that is likely to be shaped by these social conditions, may play much more significant roles with respect to the economy of the 1970's than they did in earlier decades, when the objectives of policy were more nearly limited to simply growth."

This cautionary note contained in the foreword to the National Industrial Conference Board's 1971 forecast of the economy for the seventies indicates the dangers inherent in any forecast of trends based on past experience. As long as public policy was "more nearly limited to simple growth" the forecaster, working within an economic model, could predict the future with reasonable assurance that his prediction had at least a sound base. He could assume a degree of stability in public policy, or that policy changes would facilitate economic growth.

In such a climate it was possible to extrapolate trends with reasonable confidence. Obviously the forecaster was limited in his ability to see the future. He worked with inadequate data. His model was incapable of dealing with all the variables that interact in any economy. There was always the problem of "exogenous factors." But, despite these limitations, trends could be projected with reasonable expectation that they were basically realistic.

First and foremost, the forecaster worked within a system in which his expectations coincided with those of the general public. Given the commitment to growth, it made good sense to base forecasts on the assumption that growth would occur. And further, because the projections dealt with the economy at a macro level, the possibility of

shifts and changes in fortune within particular sectors of the economy could balance out. Thus the forecaster, given reasonably good data on demographic trends, could come up with relatively firm figures on employment, gross national product and other major economic variables.

Limitations to Economic Forecasting

The uncertainty in the demographic variables is only one source of the problem facing the forecaster in Canada. More important is the nature of the Canadian and Ontario economies.

This factor presents the real dilemma in forecasting Canadian economic growth. The concept of full potential, for example, includes assumptions about the supply of labour, and the quality and productivity of that labour. But when immigration contributes up to two-thirds of the labour supply for an economy how can one realistically talk about full potential? Similarly, given access to foreign capital, the limitations to economic growth imposed by the potential savings in the domestic economy are not operative.

Canada is an uniquely open economy, with access to foreign capital and labour. The full potential model has limited application to the Canadian and Ontario economies. The only limitation is the resource base of Canada — and this is an unknown factor. All other factors of production, capital, labour and entrepreneurial ability can and have been imported to develop the geographic entity called Canada.

The economic outlook for Canada, in the long run, is not a function of the decisions made by Canadians themselves. It is rather the function of forces external to us and influenced by decisions made in other countries. Patterns of world trade and investment are the key determinants of economic growth in Canada and Ontario.

Canadians can alter these conditions through public policy. But the ability to fundamentally change the direction or growth of the economy is limited as long as we maintain an open economy. The question is really whether the Canadian people are

prepared to risk the potential dislocations inherent in any shift away from an open economy to a closed economy.

It should be remembered, however, that the share of the economy influenced by the competitive world environment is gradually but persistently declining in terms of total output of goods and services. Though much of our resource development and primary industries are tied to world markets, and though a large part of our manufacturing industry is equally a part of the international trading world, the majority of the production of goods and services, and jobs, are in private and public sectors operating outside of the constraints of international competition.

This raises the major problem facing us today. How do we achieve balance in an economic system that operates on several different levels simultaneously?

Traditionally we have characterized the economy as a dual system with private and public sectors. But there is a blurring of the lines of demarcation between public and private, and the developing interrelationships between them.

Another method of looking at the economy is by sectors — primary, industrial and service. And this can be further broken down into commercial and non-commercial sectors. This latter breakdown is useful because it stresses the difference between a market orientation and a planning orientation. But the problem with this approach is that there are differences in the commercial sector. Some large corporations are capable of influencing the market while others are at the mercy of the whims of the market. For some firms the market is international in scope, for others it is local or regional.

It might be possible to divide the economy into three categories: the commercial, internationally competitive sector; the commercial, domestically competitive sector; and the non-commercial, publicly planned sector.

One of our most serious difficulties is that the economic data now available is inadequate. They stress output and production in primary and industrial sectors. Very limited data is available on the service industries.

One result of this bias is the overemphasis placed on the goods industries. It has become an accepted economic truism that the economy is based on the production of goods — food, resources and products of secondary manufacturing. It is held that these industries form the heart and centre of the economy of the nation or province. The trouble with this assumption is that it is no longer valid as an increasing proportion of the population is dependent on employment in the service sector.

There is a need for a more balanced view of the economy. Agriculture is important to provide food. Resource industries are important to provide raw materials. The industrial sector is needed to produce goods. And the service sector is equally essential. All sectors contribute to the well-being of the whole.

To overemphasize any one sector as predominant in the economy leads to a misunderstanding. Unfortunately the economic models we have, and the statistical bases of these models, are inadequate because they fail to reflect the dynamics of the interplay among all sectors. The most sophisticated models, input-output tables, can tell us a lot about the inter-industry flow of goods, but they tell us very little about the interactions at other levels — such as the contribution of education or health services — and nothing about social factors.

This points up the difficulty of making sound predictions about the future of the economy, even in economic terms. We have neither adequate models nor statistics. We cannot compute with any degree of accuracy the potential of the Canadian or Ontario economies. We operate an exposed economy that is highly sensitive to changes taking place in a world beyond our control.

There are four dominant themes in the economy as we enter the 1970's: foreign investment, technological and organizational change in industry, the nature of work and international trade.

Foreign Investment

The current debate over United States ownership and control of sectors of the

Canadian economy is quite often carried on completely out of historical context. There are three factors that should be kept in mind: the speed of the transformation of the Canadian economy; the changed structure of economic institutions; and the impact of immigration.

In earlier periods of Canadian history, the immigrant settled and cleared the land. He provided his own "sweat capital" in carving out a home for himself and his family. In the post-war area, the nature of the immigrant flow changed. The immigrant came to a city and needed a job in industry and a home which he could not build for himself. In other words, the addition of each immigrant required a substantial investment of scarce capital in housing, schools, hospitals, and other public assets as well as private investment in factories, offices and stores.

Canada and Ontario were and are high savings economies. We can and do generate substantial amounts of capital for investment in both the public and private sectors. But we were faced with the need to provide capital in a period when three million new immigrants came to live and work in our towns and cities. The magnitude of the capital requirement was simply beyond our resources.

It can be contended, and with some justification, that we tried to do too much too fast. This in essence was the position taken by James Coyne when, as head of the Bank of Canada, he argued that Canadians were living beyond their means. Coyne felt that we were borrowing abroad to support a standard of living that was well in excess of what we could pay for out of our own savings. His position was that we should cut down on our expenditures and use our savings to finance our own development.

Coyne's analysis was rejected because his cry for restraint ran directly against the prevailing view that the capital borrowed was essential to maintain economic growth.

In the late fifties and early sixties, when the controversy between Coyne and the federal government erupted, the predominant issue was the need to get the economy moving. Coyne was attacked on the grounds

that he was too concerned with inflation and that his policy of restraint would only worsen the economic situation. But the seed was sown, and it would reappear some five years later in a different guise.

In Ontario, the inflow of immigrants coincided with the urbanization of our population and the industrialization of our economy. Two things should be pointed out. The process of industrialization affected the whole economy. All sectors became more capital intensive. Indeed industrialization can be defined as the process of shifting from labour to capital as the essential factor of production. The second feature is the attendant shift in population to large urban centres.

Urbanization and industrialization is not a recent development. These two related trends have been at work in Ontario for more than a century. What is unique is the speed with which the process has worked itself through our society.

By any measure, Ontario was a rural, resource-based society at the end of the 1930's. Compared to most areas of Canada, Ontario was much further along the road towards an industrial society. Compared to other countries, however, Ontario was relatively underdeveloped. The potential was there, but the economy was in the first stages of industrialization.

The war years saw the rapid development of some sectors of the economy and the emergence of a significant secondary manufacturing industry. But even after the war, the economy was essentially underdeveloped, without the capacity to produce a broad range of capital and consumer goods. In the last quarter century, the economy has been transformed completely. In this short space of time Ontario has emerged as a highly mature industrial economy with the capacity to produce virtually any goods or services needed.

On the national level it is still possible to describe Canada as a relatively underdeveloped country dependent on the production of staple products. This picture is completely false if applied to Ontario. Again, the simple

fact is that Ontario has completely outpaced all the other provinces in its development as an urban-industrial society. And this fact contributes to the present tensions in the Canadian federal system.

What should be realized is that this transformation of every aspect of Ontario society did not evolve slowly over time. It occurred almost overnight. And it was the speed of the change that required massive infusions of capital.

For those who insist on a cause-effect explanation of economic events, the interrelation between immigration, industrial development and capital inflows becomes a chicken and egg argument. A linear explanation is not adequate. What we have to deal with are three distinct but related variables, all interacting and all moving in a single direction. That direction is economic growth and economic diversity.

It should be remembered that the idea of economic growth dominated the scene throughout the fifties and the sixties. In this climate of opinion, immigration, industrial development and capital inflows were all considered essential. Our concern with growth, as a societal objective, led us to accept, without question, the need for more people, for more capital and for more industrial development. It is only with the beginning of the questioning of growth as an end in itself that the elements of growth are examined critically.

The change in the climate of opinion on the value of economic growth as a central societal goal has led to a searching look at the whole question of foreign capital.

When Walter Gordon raised the issue in the mid-sixties, he was not restating the Coyne argument that we were living beyond our means. The Coyne thesis was and remains discredited among the growth school. Gordon was, however, trying to come to grips with one specific aspect of our dependence on foreign capital — foreign ownership and control.

Though Coyne had never stressed the problem of foreign ownership and control, the danger of increasing U.S. domination of

key sectors of the Canadian economy was inherent in his attack on the misuse of foreign capital. Coyne argued that we were selling control of the economy simply to maintain an artificially high living standard.

Gordon's thesis was that we needed foreign capital to assist in our development, but the foreign capital should not be allowed to acquire a majority share of any industry. This led him to advocate the creation of a Canadian Development Corporation to buy back control of Canadian firms. Gordon supported economic growth as a major objective. He was simply adding another objective to the policy equation — Canadian economic independence.

The issue of economic independence was not a new issue in Canada. But in the events of the war and the post-war era, in the wave of international cooperation and the creation of international agreements covering mutual security, defence, foreign aid and trade, the old antagonisms and fears were submerged. With the waning of the cold war, the presence of the American monolith began to rub the fur of the Canadian beaver the wrong way. And the nuclear war-head squabble brought the whole question of United States — Canadian relations to a head.

Once again, the old debate about Canadian nationalism versus continentalism boiled up. The focal point of the debate was the alleged restrictions on Canadian development arising from the operation of U.S. subsidiaries in the Canadian market. It should be noted, however, that the point at issue was the possibility that foreign ownership resulted in a restriction of Canadian development by limiting exports or reducing replacements of imports.

The arguments against the U.S. firms were variations on a central theme: they restricted the proper development of the Canadian economy. Some arguments stressed lack of research and development in Canada, others stressed restrictions on exports, still others emphasized the excessive fragmentation of the domestic market. Essentially, the issue was the dislocations allegedly incurred in the Canadian economy because of the presence of

U.S. firms.

The spread of U.S. corporations into Canada was not based on any desire to subvert Canadian independence. The practice grew out of response to economic possibilities and prevailing law. The existence of a protective tariff was one contributing factor. Differences in tax policy between the two countries also contributed to the emergence of U.S. branch plants in Canada. Inheritance taxes in Canada have also added a positive incentive for Canadian family-owned firms to sell out. In no small measure, Canadian tax and commercial policy has stimulated U.S. direct investment in Canada.

The first tentative steps of the Canadian government to control foreign domination of the Canadian economy, taken in the ill-fated Gordon Budget, failed. And after the original embarrassment, Canadian officials quickly moved to bind the two economies even closer together by negotiating the auto pact — a step designed to facilitate economic growth in Canada.

Walter Gordon's fall from grace was not the end of the story. It was the beginning of a concentrated attack on foreign ownership in Canada. But the essential difference was that, from then on, the villain was no longer foreign investment, but the U.S. multinational corporation.

Technological and Organizational Change

In the theories of economic growth the importance of the entrepreneurial function as a factor of production has been given increasing emphasis.

Of key importance is the change in the structure of the firm and the emergence of what has been called "corporate capitalism." The essential feature of corporate capitalism is the relatively small number of giant corporations that dominate each sector of the economy. Heilbroner, for example, argues that the top 150 corporations in the United States dominate the economy. He calls them the supercorporations. Yet these are a mere handful compared to the eleven to twelve million business "enterprises" that operate in the United States.

Corporate capitalism is distinguished by the dominant position of a relatively few corporations in each sector of the economy.

Another quality of corporate capitalism is the ability of these dominant firms to generate the capital needed for growth through internal savings. In the hey-day of American capitalism, the banks served as the primary source of investment capital. If you needed money to expand or to acquire a competitor you borrowed from the bank. As the corporations grew in size and strength, they were able to attract new capital through public stock issues. Many generated sufficient savings from retained earnings to finance their own growth without reliance on banks or share capital.

Obviously the banking system is still essential to the operation of corporate capitalism. The difference is that now the role of the bank is not vital to the creation of capital for investment by the dominant corporations.

The third, and possibly the key change in the structure of the economic system has been the change in the management of the corporation. Heilbroner, commenting on the slow down in the rate of growth in big business states that:

"At least one factor making for the 'containment' of big business is the replacement of a generation of acquirers by one of administrators, interested of course in growth, but more concerned with the long-run survival and stability of their firms . . ."

The emergence of the new class of managers, the technological elite, is one theme in Galbraith's "The New Industrial State." This transition from the classical entrepreneur to the manager has been dealt with by numerous authors. The essential feature of this literature is that the control of the modern corporation has shifted from the owners to the professional managers.

While this analysis can be pushed too far, it is still valid to recognize that the nature of the entrepreneurial function has changed in our system. The professional manager has emerged as the holder of immense economic power.

The structure of the system has allowed him to exercise that power relatively free of the control of either the titular owners of the assets or the disciplines of the financial community. The professional manager holds claim to his power because he is a professional, utilizing the tools of scientific management.

This emphasis on professional management brings into focus the growing importance of specialized knowledge — technical, managerial, financial and legal — in the operation of corporate capitalism. Knowledge has become the scarce commodity in the economy, and the structure of modern business has been shaped in the attempt to utilize knowledge to the maximum extent. Hence the growing emphasis of research and development, information storage and retrieval, consulting firms, and planning. But the implications of this stress on knowledge are only now beginning to be realized.

Peter Drucker, commenting on the trend towards more schooling, suggests that:

"It is not the much vaunted 'complexity' of today's jobs that has pushed up the years of schooling — But filling these jobs with people with advanced schooling also forces us to change the jobs. It forces us to apply knowledge to work. And this, in the long run, is going to be a great deal more important and is going to have a much greater impact than the extension of the years of schooling itself."

Drucker is not simply posing another chicken-egg argument. He is simply stating that knowledge jobs are necessary to satisfy the needs of educated people. And the application of knowledge to work changes work. He goes on to point out that:

"Wherever we have applied knowledge to skilled work, however, *knowledge has become the foundation of skill*. It has made possible higher skill. It has made it possible to acquire skill faster and to acquire many more skills. Knowledge, in other words, is proving to be the most effective means of making skill truly productive."

The emergence of knowledge jobs in private industry is the most significant trend in corporate capitalism. Much of the current debate over ownership and control of Canadian economic institutions misses this central fact. As J.J. Servan-Schreiber puts it:

"To nationalize U.S. industries in response to increased American investment is a typical reaction of an underdeveloped country and ignores the real nature of the problem."

Servan-Schreiber argues cogently that the creative thrust of American enterprise is its uniquely scientific basis. The marriage of specialized knowledge to a corporate structure that stresses research, development, production, marketing and financing.

The knowledge revolution occurred first in the United States but it is spreading throughout the whole world. And the institutional form in which this revolution is taking place is the multi-national corporation. The multi-national corporation is not the only form of corporate capitalism, but it is clearly an institutional structure that works on an international basis.

To concentrate on the form of the institution and fail to see its internal dynamics can lead to serious mistakes.

The implications of the impact of knowledge on our economy, on our politics, and on our society are enormous. Knowledge is the central feature of all social institutions. And the development, storage, retrieval, transmission and interpretation of information has become the basis of all social, political and economic institutions.

If we continue to concentrate on form rather than substance, on external rather than internal realities, we are in danger of misjudging the direction our society is taking.

Work

One of the major contributing factors to the growth of our problems in our ambivalence towards the nature and purpose of work in our society.

The idea of the moral worth of work is widely accepted by Canadians. Although an integral part of Calvinist theology, the idea

has been widely adopted and forms one of the basic precepts of industrial society — both in socialist and capitalist societies.

Productive employment is the basis of the attachment of the individual to the industrial system. Poverty, in an affluent society, can be defined as the inability of the individual to participate in the industrial system through productive employment. And it is noteworthy that several basic welfare schemes — unemployment insurance and the Canada Pension Plan — are employment related.

For the vast bulk of Canadians, work is the major source of income. It is through employment that individuals obtain the resources necessary to maintain or improve their material standard of living. In this situation, unemployment is both a personal disaster and also represents an economic loss to the whole society.

Not only is employment important, but it is equally important to reduce under-employment. Only through the full utilization of the capacities of workers can workers be paid a reasonable wage and the economy maximize the contribution of the worker in the industrial system.

Work, as a positive moral value, makes a dual contribution to the health of an industrial society: it ensures that the worker has access to income to support himself and his family; and it ensures that the economy performs at maximum efficiency to produce needed goods and services. This duality reinforces our acceptance of the value of work as good for the individual and for society as a whole.

There are, however, some unresolved problems. The first of these is the charge laid by Marxist theory that the worker becomes a wage slave. This rigid view of the inevitability of exploitation of the worker under capitalism has proven to be erroneous. The dogmatic Marxist cannot explain the ability of organized labour to enlarge the share of income paid to the workers. In the face of the evidence, Marxist theory now concentrates on the concept of alienation — the divorce between the worker and the broader industrial system, and the powerlessness of the

individual worker within the system.

Modern Marxist theory still argues that the worker is a wage slave, even though he may be a pampered slave. This argument stresses that the ownership of the means of production is still vested in the hands of the few and that the worker has no effective voice in controlling decisions made within industry that vitally affect his interests.

This argument has limited application because of the growing complexity of capitalist systems. The individual shareholder has little control either. The worker, through his union, not only can influence company policy; he does. And further, through his own invested savings and through his pension plan contributions he is developing a stake in the capitalist system unheard of in early forms of capitalism.

It would be a mistake, however, to discount the idea that the individual has a growing sense of powerlessness in a society dominated by corporate capitalism and other large bureaucratic institutions. This sense of alienation is rampant and is a cause for unrest even in strong industrial and craft unions. In its most obvious form, it represents a basic sense of fear that the individual is threatened by the machine. To an ever increasing extent, union leadership has been forced to stress job security in the face of technological change.

It is the ever-present threat posed by technology that challenges our basic assumptions about the value of work in our society. As long as man, as a thinking and sensing being, was essential to the operation of machines, the machine offered the potential of relieving only the need for human energy. Machines might make a job boring, but they required human operators. They were beneficial in the sense that they increased the productivity of the individual. And, as long as a proportion of that increased productivity was reflected in rising real wages, they provided a higher standard of living.

In the late fifties and early sixties, a new spectre loomed on the horizon — technological unemployment. The basic change was the introduction of a new type of machine — the computer. Linked into the production pro-

cess, through a complex stimulation — response and feedback system, the computer created the possibility that many workers were redundant. The computer, the so-termed thinking machine, could do everything a human could, but could do it better and faster.

Coming when it did, with high levels of unemployment, the computer was singled out as the source of a new industrial revolution, one which divorced man almost completely from the production system. The debate was joined between economists who stressed structural unemployment and those who saw the problem in terms of the lack of economic growth.

By the mid-sixties, the structuralists had been routed and the proponents of the growth school had won hands down. Unemployment, or so it seemed, was primarily a function of demand. Given appropriate levels of economic growth, structural unemployment was not a problem. It will be interesting to watch the revival of the structuralist arguments in the present situation.

The growth school won the battle, but it may have lost the war. In the euphoria generated by the fall in unemployment rates, what was often ignored was the accompanying transformation of the economy. The lesson of the past decade is that the transformation of an economy from a goods base to a service base is infinitely easier in a high growth period. In short, as long as there is demand for labour, structural unemployment arising from technological change is easily overcome. In moderate or slow growth conditions, structural unemployment can be a major problem.

The question arises as to whether or not the high growth rates of the latter sixties answered the problem of technological change or simply postponed the day of reckoning? And this is the heart of the dilemma facing industrial societies.

The essential problem derives from our attempt to obtain competing objectives — high rates of productivity and full employment. The economic growth school answers the question by arguing that the solution lies

with more growth. And, in the short-run at least, they are correct. The difficulty lies in the logical extension of the growth school's basic premise. After we have pushed growth to the ultimate where do we put the people and where do we get the resources — including fresh air and clean water?

At the level of the individual this same problem takes on a more prosaic form: how much is enough? More and more, as the costs of further growth are seen as a blight on the environment, as pollution of air and water, as incessant noise, as cities that represent the antithesis of civilized life, this problem presses upon the consciousness and sensibilities of individual human beings.

But the individual is caught up in a system that seems to be self-defeating. He cannot opt out of the materialistically oriented industrial system because he depends on it for his very life. Yet, at the same time, he is beginning to recognize that the very system he depends upon to sustain his life is a threat to his existence. And further, the ever-increasing threat to his livelihood is posed by a technology that is developed and utilized in the name of progress.

The individual recognizes, almost instinctively, that the nature of work is changing. The computer is but a symbol of the changes that have taken place. But it is a pervasive symbol. How many parents are lost when faced with the need to explain the binary system of mathematics to their elementary school children?

Many commentators have written at length of the shift to knowledge work in our society. Some go on to argue that this shift represents a fundamental transformation of our society. The point at issue is not the reality of this transformation, but its impact on the world work.

International Trade

Because Canada and Ontario operate in competitive world environment, and because about one-fifth to one-quarter of our total output enters into world trade, we are highly susceptible to the vagaries of international economic trends. Anyone in 1960 forecasting

the future would have begun his forecast on the assumption that world trade was on an upswing, and that the movement to trade liberalization was bound to expand trading opportunities. Few, if any, would have predicted the magnitude of trade that has developed.

In 1970, however, it is very difficult to assume that this upsurge will continue without serious interruption for the next decade.

One of the key factors at work is not economic but psychological in origin. Although all of the developed countries of the western world are committed to the idea of progress, defined in economic terms they are not reconciled to the need for structural change. Statistically, every country has benefitted from international trade, to a greater or lesser extent, but these glowing trade statistics hide the dislocation in each national economy. This is the source of the trouble.

In any period of change, some benefit while others do not. And when those who do not benefit exercise political influence they will attempt to use it to ameliorate the impact of change.

In the 1960's the multi-national firm has emerged as one of the major economic instruments through which trade takes place. The multi-national is, however, a mixed blessing. For many nations the multi-national is defined as the invasion of giant U.S. corporations, and this is held to be incompatible with the proper economic development of the host nation.

The multi-national has been singled out because it arouses fears of economic and cultural imperialism. It is alleged that it represents a threat to the very existence of the nation state and to deeply entrenched nationalist sentiments. Some critics also emphasize the limits of the nation state to control or develop the economy of the individual nation in a world economy dominated by multi-nationals.

But the rationale of national economic policy is that the state, by its intervention into the market through fiscal policy,

monetary policy and planning, can stimulate development. The multi-national, because it is relatively immune to the control of the nation state, limits the power of the state to control its own economic destiny. Whether or not any trading nation can really exercise control over its economy is not at issue. Governments are pledged to maintain full employment whether they can or can't. And the most blatant example of their inability to meet their pledge is the operation of corporations conducting their business on considerations other than those perceived to be in the best interest of the host country.

The case for further expansion of world trade is increasingly questioned on the grounds that this simply leads to further development of a relatively few giant corporations. The benefits to the nations in which these corporations operate are allegedly limited. It is against this background that the future of world trade must be viewed.

A second and equally important change has been the emergence of the trading bloc. The growth of trade within each bloc has exceeded the growth outside the bloc. This presents the possibility of a new form of regional autarky that gets around the problems inherent in economic nationalism. For the European Economic Community countries, for example, it might seem to make more sense to limit trade with North America and concentrate on internal trade and expand trade with East Europe and the underdeveloped countries.

The future in world trade does not look good for Canada. In these circumstances, one option would seem to be a more complete

economic integration with the United States, already the dominant customer for Canadian goods. Another option would be the creation of a new national industrial development strategy consistent with emerging world trade patterns. In either case, the impact on our industries will be the same — a growing trend towards rationalization and specialization.

Whether in world markets or a protected North American market, Canadian secondary industry will have to become more competitive. The pressure of competition will force us to make substantial changes within the manufacturing sector.

One problem that must be faced is that any slack in the employment picture caused by the reorientation of our economy cannot be offset by massive government spending. Such a policy would only create inflationary trends in the non-competitive sector and create even more difficulties in the adjustment process in the goods sector. In these conditions, the government sector and other non-commercial service industries must stress productivity. The potential growth in employment is, therefore, limited. This is not as serious as it might seem, provided that it is not accompanied by relatively high levels of immigration.

In summary, the 1970's will not be characterized by explosive growth but rather by a fundamental restructuring of the economy. The extent of that restructuring will depend upon the severity of any slackening in world trade. The primary economic goal must be the development of a competitive economy capable of reacting to trade opportunities.

Social Trends

Any reordering of public policy priorities, in the face of the emerging economic requirements of the 1970's, cannot be undertaken in isolation of the realities of social change. We must develop a comprehensive set of policies that take into account the emerging trends in our social system. These trends are: population growth, urbanization, environmental deterioration, changing patterns of family life and the expansion of leisure.

Population Growth

Since the end of the Second World War one of the verities of our society was that Ontario could prosper and reach its full economic potential only if it had a steadily growing population. We believed that a large domestic market was essential to provide the basis for the introduction of advanced mass-production techniques. Without a mass market, so the argument went, Ontario firms would continue to be at a competitive disadvantage with foreign firms operating in mass markets. This was held to be an economic fact of life.

It was further argued that, with a small population relative to the resource potential and land available, the only short-term method of achieving a mass market was through the importation of people. Immigration was necessary to provide both a market and the essential skills needed to build an industrial economy. On economic grounds alone it was contended that it made sense to encourage large scale migration of people to Ontario and Canada.

In the immediate post-war period, there was an attempt made federally to limit immigration by insisting that immigrants go into the agricultural sector. This policy was based on the assumption that there was a labour shortage in this industry, and that the overall economy had a limited capacity to

absorb newcomers. Ontario's reaction to this policy was to take direct action by actively promoting immigration to the province.

The possible conflict between the provincial and federal policies was quickly resolved by the change in attitude at the federal level. In the mid-fifties, Ottawa was actively promoting immigration to Canada. One reason for this change was serious labour shortages in Ontario.

In all projections, the basic component is population change. The demographic element creates the parameters of any projection of medium or long-term economic variables. It is not surprising, therefore, that the art of demographic projection has become a highly sophisticated process.

The question remains, however, whether this fundamental exercise in prognostication is really as scientific as its exponents claim it to be. Otis Dudley Duncan, commenting on the state of the art in social forecasting, notes three limitations in the demographer's predictions:

"First, this species is in no way immune to the operation of social forces that distort the vision of other investigators. . . . Second, sheer fascination with mechanics is the enemy of an imaginative approach. . . . Third, in person and collectively the demographer is not immune from the psychology of habit."

Duncan notes the failure of the demographers in the late 40's and early 50's to catch the change in population movements. He states:

"Whereas by 1940 it was clear that the most reputable forecasts of the 1920's had erred on the high side, in 1950 it was plain that the demographic work of the depression and war period had issued in understatements of future population."

The question that faces us in looking to the future is whether we have turned another corner in population growth. How will the birth rates change in the next decade, or will they change at all? What will happen to mortality rates? And what will net migration contribute to our population over the next ten years?

First, some assumptions:

- Attitudes towards the size of the family will result in fewer children, more childless couples, broader use of contraceptives and more abortions.
- Further progress will be made in medicine and mortality rates will fall accompanied by a continuing increase in average life spans.
- Immigration will fall off substantially from the high levels of the past two decades — partly as a result of current high unemployment rates and partly because of the changed age structure of the Canadian population.

Net migration into Ontario is the most highly volatile factor of population growth. Immigration over the past two decades accounted for about one-third of the growth in Ontario's population. One of the chief reasons for this inflow of people was the relatively small number of young Canadian-born people available for employment in the 1950's and early sixties (a result of the low birth rates in the thirties and early forties). The high birth rates in the late forties and fifties, however, insured a substantial supply of young people for the labour force throughout the 1970's.

At the other end, economic growth in southern European countries relieves much of the pressure that led to migration to Canada from these countries. One result of this change has been the shift in the immigrant flow from European to Asian and North American sources.

As was noted earlier, it is possible that the Canadian government will alter its immigration policy and move to a more restrictive basis in the future. The rising levels of educational achievement of Canadians has markedly improved the supply of professional

personnel. The growing difficulty in placing university graduates suggests that supply has begun to outstrip demand. This will, in turn, reduce our reliance on imported brains.

At the skilled technician level, the first graduates of the colleges of Applied Arts and Technology will fill a vacuum that has existed for some time in our labour supply. Finally, the gradual but continuing upgrading of job content levels requiring higher skills or educational levels works against the possibility of large scale immigration.

The combination of a changing labour market on both the demand and supply side suggests a marked reduction in our reliance on immigrants to fill shortages, particularly in view of the relatively large numbers of young people who will be coming into the labour force in the next ten years.

Immigration and migration have social as well as economic consequences. Ontario was never a homogeneous society, but the bulk of the people of Ontario shared a common political and cultural tradition. The addition of 1,700,000 people of almost every background imaginable in the post-war period has created a pluralist society in this province. From a purely economic point of view, the newcomer has faced relatively few problems in adjusting to his adopted country. The dissolution of class lines in the middle class assisted the immigrant to move freely within the economic system. He was able to find work, to acquire a home, to obtain all the material artifacts of North American life. But the ethnic lines of demarcation remained.

In no small measure this was the result of a conscious social policy that advocated the cultural mosaic. Canadian governments (national, provincial and municipal) used the need to maintain the mosaic as an excuse to make no effort to develop a policy of ethnic integration. The official policy, outside of Quebec, was to let people make their own adjustment to the social life of their new country. If this policy of non-action resulted in the creation of ethnic communities that divided people on racial, religious or language grounds, it was justified on the basis of preserving the newcomers' cultural identity.

This policy of non-intervention in social adjustment may have been successful when the bulk of the immigrants settled on farms, but it was inappropriate to the needs of urban life. The net result was the creation of ethnic communities in the cities. And the ethnic communities, though essential to the adjustment of newcomers to Canadian life in the absence of institutions designed specifically to aid the economic and social adjustment of the immigrant, simply delayed the process and threw all of the problems back upon the families and ethnic communities themselves.

The lack of any consistent policy for social adjustment has been detailed elsewhere. (See the Ontario Economic Council report on Immigrant Integration). We have taken credit for the success of a process that has put the whole burden of adjustment on the immigrant himself. And the process of adjustment has not worked without enormous cost to individuals and families.

Community has become one of the overworked clichés of the day. Yet there is much truth in the argument that the old sense of community, the sense of belonging to a group larger than the family, gave our society a foundation that supported the processes of social life. Unchecked population growth and urbanization have effectively destroyed this source of social cohesion. The decline of community and the gradual but perceptible erosion of religious ties have destroyed the basis for social cohesion.

In the place of the older forms of social ties, we have developed a generation of people who relate only to their occupation and to the less substantive ties of formal groups — service clubs, unions, and other secondary groups. Social class was once a function of the position of the individual within a defined and limited community. Today, social class is more the function of income and occupation. This has been beneficial in the sense that it has promoted social mobility. But it has destroyed the older forms of social life.

One of the by-products of this emerging mass society has been the demand for individuality and personal privacy. Individualism has traditionally been a major force in

British society. It is the source of individual rights and the ownership and control of property. The problem with unchecked individualism, the rock on which it breaks, is the need for collective action in a mass, urban society.

Another growing problem is the alienation of youth and the aged in our society. There has been much written on the special problems of youth in our society. It is sufficient here to note that a problem exists. To an extent, the problem of youth is based on the dichotomy between the biological maturity of young people and the prolongation of adolescence.

We have created a new social institution, the student. As students, the young are neither a member of the family, in the sense that they depend completely on their parents for sustenance, nor are they in a position to establish a family themselves. They exist in a never-never land — part student and part worker. Because they are not full time members of the labour force, they are segregated economically and socially from the broader society. They form a sub-group. And they have developed a distinct culture.

The growth of this sub-culture presents significant problems for society as a whole. It serves as a magnet for the young who see the youth culture as a way of life offering escape from the restrictions of family life. For those who have no desire to conform to the mores of middle class society, the youth culture is adopted as a permanent mode of life. The basic cultural distinction between the student of youth sub-culture and the dominant middle class norms is that the youth sub-group places very little value on work.

The post-depression generation do not have the same desire for material security, the same need to establish their status in society through the ownership of possessions. They demand security from the broader society. State support presents little of the shame that welfare and the dole hold for their parents. The student recognizes that much of the cost of his schooling is paid for out of government funds. He does not see why, if the government is prepared to pay for his

schooling, he should feel any shame in accepting funds to let him live his own way until he is ready to work. And for the few, the idea of permanent welfare is not repulsive.

If the youth are conditioned to accept the idea of state subsidy, older people are not. The tragedy of the older person is that the institutions that once provided for the care of the old, the family, no longer accepts the responsibility for this function. For thousands of people, their productive years were lived before the introduction of private pension plans or government plans. And their savings have been depreciated by inflation and high property taxes. They are caught in the middle. The systems we have developed to take care of the older person came too late, but the older practices are gone.

The alienation of the older person from society has not received the attention that has been paid to the young. But their plight is real.

Urbanization

Decline of the sense of community, ethnic ghettos, social alienation, and all the other problems of social life are the by-product of urbanization. For the past twenty years the high rate of population growth has been concentrated exclusively in the urban centres of Ontario. Almost all of the growth has taken place in or around the metropolitan centres or in the major urban centres. In 1951, approximately 73 per cent of Ontario's population was classified as urban, and by 1971, it is expected that about 82 per cent of the population will live in urban centres. In 1970, about 58 per cent of the total population lived in census metropolitan areas.

Most of the projections of future population trends for the province foresee the continued trend toward urbanization. The Economic Council of Canada argues that the percentage of urban dwellers in Ontario will increase to 1980 when about 86 per cent of the total population will be living in urban centres and the vast majority of the people will be concentrated in the larger metropolitan centres.

Given the existing knowledge of the kinds

of problems associated with the large city pollution, traffic, lack of recreational space, high density, crime and delinquency it is surprising that few futurists even suggest a different model for the accommodation of a larger population. The question is whether the large metropolitan centre is inevitable or whether there is an alternative?

Part of our problem rests with our inability to see the true nature of the process of urbanization. Urbanization has been used in the past to describe the demographic fact of increased population living in defined municipal areas. But urbanization is more than just the crowding of people together in densely populated urban settings. It is equally a description of a particular life style.

The essence of urbanization is the growth of demand for services that were once associated only with urban life, schools, hospitals, libraries, cultural and recreational facilities, police and fire protection, sewers and water supplies, shopping facilities and a host of other services. Given the limitations of the existing modes of transportation, the existence of these services was limited to that share of the total population that lived in a municipality organized to deliver urban services. But the private motor vehicle enlarged the area that could be served by many of these services.

The stumbling block for the extension of physical services was the economics of density. With a low density population it was too costly to provide many urban style services to a scattered population. Even though the private motor car provided the possibility of less densely populated urban centres, the economics of the delivery of water and sewage treatment services, police and fire protection and other types of services forced us to concentrate population in or around the larger city.

High density cities were also essential to provide the necessary concentration of labour supplies to work in the factories of the industrial economy. Indeed the industrial system was one of the major forces at work creating the urban society that we have in this province.

But does a maturing industrial system still depend on the existence of a mass labour market in the cities? The continued development of technology in transportation and communication casts a real doubt on the need for mass labour pools in an urban setting. The evidence available is contradictory, but there is enough data available to suggest that industrial development in the future is not dependent on the city as the productive centre.

The city form that has emerged over the past thirty years in Ontario is the product of a particular technology.

One example will suffice. In Toronto the small city block facilitates pedestrian traffic. Stores are within walking distance of homes, and the public transportation system is accessible, convenient and efficient. The city design makes it amenable to a varied life combining both the privacy of the home and a public street life. Anyone driving or walking the streets of Toronto cannot help but be struck by the vitality of its life.

In the suburbs, on the other hand, the design stresses the need of the automobile not the pedestrian. One must drive to the shopping centre, drive to church, drive to the library. The only concession to the pedestrian is the placement of schools.

The private automobile gave us the opportunity to develop a new city form. Unfortunately, the automobile, that had such an enormous impact on the life styles of the city dweller, was not incorporated into the design of urban space that could take the maximum advantage of the mobility the car provided without the attendant problems of traffic congestion, parking and pollution. Instead we got the worst of both possible worlds as we tried to utilize a technology within a social and economic framework that had evolved to meet the needs of a different technology of transportation.

The end result of this dichotomy between different technologies is the fate of the Spadina expressway. We have built suburbs that are designed to meet the requirements of the private motor car, but we try to limit the inflow of cars into the central city where the

jobs are located. We have not provided an adequate method of public transportation, but we condemn the car.

The problems associated with transportation in our urban centres are but one aspect of the kinds of difficulties that are now emerging in urban life. The root cause is the continued reliance on a form of urban life that was based on a technology of transportation, communication and production that required the existence of high density urban places. The technological prerequisites of a matured industrial economy no longer demand the metropolitan form. But the form persists because of other social and economic considerations, particularly a rapidly growing population.

If the technology that has evolved over the past twenty years has created new possibilities in urban form, does it follow that new urban forms will evolve? Have we reached a point where we can consciously create an urban form that takes into account the social, economic, political and technological possibilities that are open to us? Do we have the potential for new forms of urban life? Have we the economic and political institutions through which we can design and build these new forms? Are there any factors at work that suggest that we are willing to examine alternatives, or are we simply compounding the errors of the past?

Environmental Deterioration

The growing concern with pollution in all its aspects suggests that we are indeed entering upon a new era in the development of urban form.

Pollution is not a new concern in our society. The first Ontario legislation concerning pollution was passed in 1884, The Public Health Act. For the first half of the twentieth century, pollution was usually considered as an aspect of public health. The primary concern was with the safety of drinking water. Although there was concern expressed over the handling of solid and sewage wastes, little was done to create an effective system of treatment or control. This was related to the lack of finances at the municipal level during

the depression and war years.

By the mid-nineteen fifties, the provincial government was becoming increasingly concerned with the need to speed up the development of municipal sewage and water treatment plants. In order to achieve this, and in order to regulate the use of water in the province, the government established the Ontario Water Resources Commission. This move represented the first time that the province recognized that pollution had a broader dimension than the simple test of its impact on the health of individuals, although this remained as the primary reason for the attack on pollution.

By the mid 1960's, the pollution question had emerged as a primary problem in national, provincial and municipal politics. The concern over pollution had broadened to water, air, land and noise pollution. The phrase that came into vogue was "quality of life." This reflected the growing identification of pollution as a spill over from unrestrained economic development. More and more people began to see that the pursuit of material goods had side effects in terms of the excessive use of resources and the pollution of the environment.

The debate over pollution began to raise questions about all the assumptions that had been made about the propriety of the economic and social values that formed the basis of industrial society.

Pollution and other economic and social ills of the day have roots in the climate of opinion that prevailed throughout the past twenty years. As a nation we were committed to growth, and the almost single-minded pursuit of this goal resulted in unforeseen results.

The identification of pollution as a spill-over effect of growth brought the whole premise of the "goodness" of growth into question. It does not follow that no growth is necessarily a good thing that should be pursued by public policy. The questioning of the growth argument simply means that a new set of variables must henceforth be taken into account in the development of future measures of societal progress and development.

This is the primary contribution of the current debate over environmental deterioration. We have begun to rethink a lot of the

accepted myths about the industrial system. We are beginning to get back to some fundamental questions about the structure of our society and the values that should be used to measure the progress of that society.

We are starting to look at the basic societal forms and to wonder about their future as the basis of the emerging post-industrial society.

The Family

First and foremost are the changes occurring within the family itself. Many futurists contemplate with equanimity a transition of family life from what is called the nuclear family (husband, wife and children) to a new form of extended family in a communal setting. They base their arguments on the studies of social systems provided by cultural anthropologists. These studies have demonstrated the possibility of a wide range of family systems.

To many observers the breakdown in conventional morality, sexual permissiveness and women's liberation are all signs of a fundamental change in family life. Whether or not these symptoms of change are indicators of a newly emerging family structure, it is clear that the basic social institution of our society is under escalating pressure.

It is against this background that the problems of youth — identity crises, alienation, delinquency, drug abuse — must be seen. Divorce, alcoholism, adultery, mental illness, and all the other symptoms of deterioration of relationships between adults are equally tied to the pressures on families found in our urban-industrial society.

Talcott Parsons states that marriage and the family have never been more popular than they are today. People want a stable relationship within the family structure. But the demands placed on the marriage partners within the family are difficult to resolve. Parsons points out that, in the extended family system of our rural past, the roles of the wife and husband were limited. Child rearing was not solely the job of the mother but was shared with grandparents, other relatives or older children in a large family. The father had a role in developing the skills of his sons.

Within the large extended family there was more sharing and more cooperation as everyone had defined roles in a much simpler life. In an urban environment, Parsons goes on to say, the wife simply tries to fulfill too many roles — wife, mother, mistress, homemaker, breadwinner, etc. The pressures on both parents in a small nuclear family to try to play all the roles all the time are simply too great.

Another source of conflict derives from the pressures imposed by prevailing materialist values. In a world in which status is assigned by the ownership of personal property — cars, houses, T.V. sets, dishwashers — the measure of success becomes equated to the possession of the artifacts of our material culture.

In these circumstances, it is not surprising that women, in particular, find that too much is expected of them. The divorce between functions in the family setting and in the world of work creates tensions that cannot be resolved easily.

As a result of these pressures, the family is changing in character as a social institution. It has become less important as a system for the personality development of the child. As this function shifts to the schools or to other institutions (day nurseries and day care centres), the relationships between family members take on new forms. The family tends to become an arrangement of convenience for its members, rather than an organic whole.

This should not be interpreted as necessarily either good or bad. It is simply one explanation for the observed trends in social life in urban settings. There are, of course, other explanations provided by sociologists and psychologists. But whatever the theory advanced, the point remains that family life is changing and changing rapidly. Where it will all lead is unknown. It would, however, be a grave mistake to believe that there are any simple answers to such a complex situation.

Leisure

"To be able to fill leisure intelligently is the last product of civilization." — Bertrand Russell

"In works of Labour or of skill

I would be busy too;

For Satan finds some mischief still

For idle hands to do."—Isaac Watts

These two aphorisms set out the inherent contradiction in our view of leisure. On the one hand leisure is seen as a desirable state of affairs, as essential to the realization of the full potential of the human personality. Freed from the demands of work the individual has, in leisure, the chance to develop his creative talents. Hence leisure is the gift of civilized life and a goal to be pursued by society.

On the other hand, leisure is held to be fraught with danger, leading inevitably to temptation and sin. This latter view has never had the same wide popular support given to the stress on the moral value of work, but it has had its supporters in Canadian life.

Though the Calvinist position on work was essential to the requirements of an industrial society, its counterpart, the rejection of worldly pleasures, was not accepted by other major religious groups — particularly Anglican and Roman Catholic. As a result, there was a widespread acceptance of the necessity and moral worth of work, without the same acceptance of the strictures against leisure. But it would be wrong to assume that the Calvinist view of leisure has not had influence. It did, and does today.

Canadian history has reflected this dichotomous view of leisure. Over the years, however, the restrictive puritanical attitude has slowly but gradually lost ground. The general relaxation of liquor laws, the growth of Sunday sports, the expansion of legalized gambling, all of these represent a fundamental shift in values away from the puritan tradition.

Leisure is more than just the opportunity to indulge in activities once considered sinful. It is, for a growing number of people, an opportunity to escape from the tedium of the working world. And the surprising thing is that leisure time has become not only a necessary relief from the demands of the job, but has become a positive value for the individual.

The leisure business in Canada and Ontario

has become a big business. The tourist industry, for example, is now one of the largest industries in the service sector, providing accommodation, transportation, food and recreation for millions of Canadians and foreign visitors every year. The boom in leisure has created thousands of new jobs in almost every sector of the economy.

One of the major breakthroughs for Ontario has been the development of winter sports. This has virtually transformed many small towns and villages in Ontario that now operate on a full year basis to meet the needs of tourists. The summer cottage is now becoming a year round weekend retreat. For the ski equipment manufacturers and the makers of snowmobiles, the longer and colder the winter, the better their business.

The growth of outdoor activities — winter, spring, summer and fall — is a reflection of the population expansion, and more importantly, the desire of people to get out of the confines of the city. There would seem to be a recognition on the part of the average city dweller that he needs to get out of his artificial environment and re-establish contact with his natural heritage.

In no small measure participation in outdoor recreation is a function of affluence. As a society we can afford to enjoy leisure.

Without the necessary income, leisure is not a commodity that is highly valued in our society. Indeed, one of the most degrading aspects of life in an industrial society is the enforced leisure of unemployment.

The technology of an industrial system provides us with both the opportunity and the resources to use leisure creatively. Yet the spectre of leisure on a mass scale — the ultimate promise of technology — is a source of anxiety in our society. We cannot shake off the puritan fear of the sinfulness of leisure.

Part of the problem lies in the mythology about the relative values attached to different forms of leisure activity. This is a reflection of an earlier age when distinctions could be made between the leisure activities of different social classes. But with the blurring of class lines in a mass society, these distinctions are no longer relevant. Despite this, however, there are inherent assumptions made about the value of different forms of leisure.

Leisure presents both unparalleled opportunities both for creativity and for hedonism. It adds an entirely different aspect to the possibilities for social and cultural development of our society. The challenge of leisure, and our response to it, will point the direction which we as a society will move in the future.

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